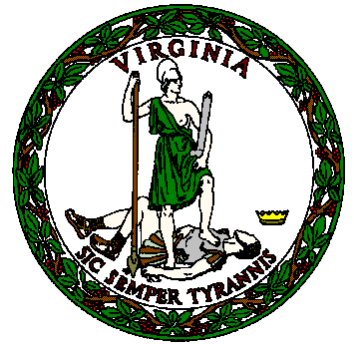


**A Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2002



**Mark R. Warner**  
Governor

**John M. Bennett**  
Secretary of Finance

**David A. Von Moll**  
Comptroller

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# INTRODUCTORY SECTION

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Organization of the Department of Accounts



December 12, 2002

The Honorable Mark R. Warner  
Governor of the Commonwealth of Virginia  
State Capitol  
Richmond, Virginia 23219

Dear Governor Warner:

David A. Von Moll, CPA, CGFM  
Comptroller  
Post Office Box 1971  
Richmond, Virginia 23218

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002, in accordance with Section 2.2-813 of the *Code of Virginia*.

This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2002 CAFR is presented in three sections. The Introductory Section includes a financial overview, discussion of the Virginia economy, and organization charts for State government. The Financial Section includes the State auditor's report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2002. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last sixteen consecutive years (fiscal years 1986-2001). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

This report could not have been prepared without the full cooperation of all State agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. A. V. H. 4". The signature is fluid and cursive, with the letters "D", "A", "V", and "H" being prominent and connected. The number "4" is at the end of the signature.

Comptroller of the Commonwealth of Virginia

# Financial Overview

## General Fund Condition – Overall

Virginia uses the cash basis of accounting for budgetary purposes. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act. The basis of budgeting financial activity of the General Fund is presented as Required Supplementary Information on page 150 in the Financial Section.

**Figure 1** shows the General Fund ending fund balances on a basis of budgeting since fiscal year 1998. All of the \$632.9 million ending fund balance at June 30, 2002, was reserved or designated, including \$472.4 million for the Revenue Stabilization Reserve Fund, and \$70.0 million designated for reappropriation in fiscal year 2003. **Figure 2** shows the General Fund ending fund balances since fiscal year 1998, using the modified accrual basis of accounting. Additional data for general fund balances are located on page 266 in the Statistical Section.

## General Fund Revenues, Expenditures, and Other Financing Sources (Uses)

**Figure 3** presents a detailed analysis of General Fund revenue on a basis of budgeting for the year ended June 30, 2002. Prior year data is shown for comparison purposes. The overall revenue decrease of 3.7 percent is mainly attributable to a decrease in Individual and Fiduciary Income tax revenue collections.

**Figure 4** shows General Fund expenditures by function on a basis of budgeting for the year ended June 30, 2002, as compared to the prior year. Total expenditures show an increase of 17.8 percent. This is a reporting anomaly because, as stated in Note 3, Transfers to Component Units are reported as transfers in FY 2001 and as expenditures in FY 2002. Overall, expenditures and transfers out decreased by 1.8 percent during fiscal year 2002.

## General Fund Condition - Modified Accrual Basis

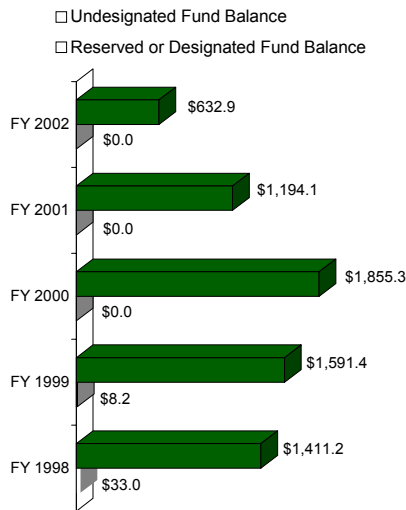
Although the Commonwealth budgets and manages its financial affairs using the basis of budgeting, GAAP requires that states use the modified accrual basis of accounting to prepare fund financial statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations throughout the fiscal year or to liquidate liabilities at the end of the fiscal year. Expenditures are recognized when a liability occurs. The accruals recorded on the financial statements for the fiscal year ended June 30, 2002, reflect cash that will not be received or disbursed until fiscal year 2003.

Accruals of revenues and expenditures required by the modified accrual basis of accounting resulted in a decrease of \$849.6 million from the \$632.9 million basis of budgeting General Fund balance (**Figure 5**), as reported in the August 15, 2002, Preliminary Annual Report of the Comptroller. Effective with the implementation of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB Statement No. 34), full accrual data is also required. Please refer to the Management Discussion and Analysis on page 31 in the Financial Section for additional analysis.

**General Fund Balance –  
Basis of Budgeting  
Highlighting the Undesignated  
Fund Balance**

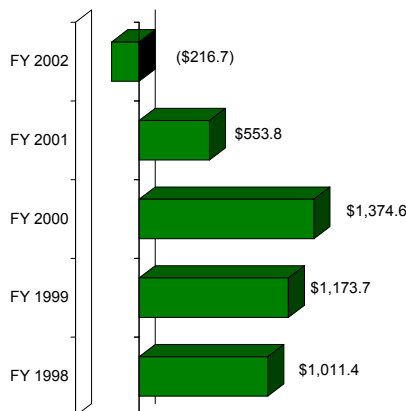
(Dollars in Millions)

Figure 1



**General Fund Balance – GAAP Basis**  
(Dollars in Millions)

Figure 2





### Analysis of General Fund Revenues and Other Financing Sources

(Basis of Budgeting)

(Dollars in Thousands)

Figure 3

			Increase (Decrease) Over FY 2001	
	FY 2002	FY 2001	Amount	Percent
Taxes:				
Individual and Fiduciary Income	\$ 6,710,772	\$ 7,226,309	\$ (515,537)	(7.1)
Sales and Use	2,429,845	2,272,954	156,891	6.9
Corporation Income	290,215	363,757	(73,542)	(20.2)
Public Service Corporations	77,152	93,427	(16,275)	(17.4)
Premiums of Insurance				
Companies	292,702	268,060	24,642	9.2
Other	487,826	434,332	53,494	12.3
Subtotal - Taxes	10,288,512	10,658,839	(370,327)	(3.5)
Securities Lending Proceeds (1)	-	10,650	(10,650)	(100.0)
Other Revenue (1)	454,505	491,241	(36,736)	(7.5)
Total Revenues	10,743,017	11,160,730	(417,713)	(3.7)
Other Financing Sources:				
Transfers and Other Sources	820,518	527,761	292,757	55.5
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 11,563,535</b>	<b>\$ 11,688,491</b>	<b>\$ (124,956)</b>	<b>(1.1)</b>

(1) Effective in FY 2002, securities lending proceeds are recorded as investment income and included in Other Revenue.

### Analysis of General Fund Expenditures By Function and Other Financing Uses

(Basis of Budgeting)

(Dollars in Thousands)

Figure 4

	FY 2002	FY 2001	% Increase (Decrease)	FY 2002 % of Total
General Government (2)	\$ 1,350,940	\$ 1,069,409	26.3	11.1
Education	5,542,589	4,188,331	32.3	45.7
Transportation	16,002	4,703	240.3	0.1
Resources and Economic				
Development	251,856	228,087	10.4	2.1
Individual and Family Services	2,550,020	2,488,745	2.5	21.0
Administration of Justice	1,910,280	1,939,881	(1.5)	15.8
Capital Outlay	119,046	36,714	224.3	1.0
Securities Lending Payments (2)	-	10,247	(100.0)	-
Total Expenditures	11,740,733	9,966,117	17.8	96.8
Other Financing Uses:				
Transfers and Other Uses (3)	383,940	2,383,598	(83.9)	3.2
<b>Total Expenditures and Transfers</b>	<b>\$ 12,124,673</b>	<b>\$ 12,349,715</b>	<b>(1.8)</b>	<b>100.0</b>

(2) Effective in FY 2002, securities lending payments are recorded as General Government expenditures.

(3) FY 2001 amounts include Transfers to Component Units. Transfers to Component Units in FY 2002 are reported as expenditures in accordance with GASB Statement No. 34.

### Analysis of General Fund Balance

Basis of Budgeting versus Modified Accrual Basis

(Dollars in Millions)

Figure 5

	FY 2002	FY 2001	Variance
<b>Fund Balance, Budgetary Basis</b>	<b>\$ 632.9</b>	<b>\$ 1,194.1</b>	<b>\$ (561.2)</b>
Receivables, Inventory and Accrued Revenues:			
Sales Tax Receivable	85.4	206.8	(121.4)
Other Tax Receivable	280.5	295.6	(15.1)
Other Receivables (1)	89.1	112.9	(23.8)
Inventory	34.8	36.9	(2.1)
Other Accrued Items (2) (3)	55.2	13.2	42.0
Total Accrued Receivables, Inventory and Other	<u>545.0</u>	<u>665.4</u>	<u>(120.4)</u>
Payables and Accrued Expenditures:			
Tax Refunds Payable	226.5	330.5	(104.0)
Deferred Credit (Estimated Tax Refunds) (3)	501.8	415.7	86.1
Medicaid Claims Payable	184.3	155.6	28.7
Sales Tax Due to Localities	145.0	137.5	7.5
Other Accrued Items (4)	337.0	266.4	70.6
Total Payables and Accrued Expenditures	<u>1,394.6</u>	<u>1,305.7</u>	<u>88.9</u>
Receivables and Accrued Revenues Under			
Payables and Accrued Expenditures	<u>(849.6)</u>	<u>(640.3)</u>	<u>(209.3)</u>
<b>Fund Balance, Modified Accrual Basis</b>	<b><u>\$ (216.7)</u></b>	<b><u>\$ 553.8</u></b>	<b><u>\$ (770.5)</u></b>

(1) This includes Accounts Receivable, Interest Receivable, and Other Taxes Receivable.

(2) This includes Lottery and ABC Profit Transfers, Increase of Investments to Fair Value which must be recorded in accordance with GASBS No. 31, and Due From Other Funds.

(3) In FY 2002, the General Fund reported deferred revenue of \$138.8 million for receivables that will be paid after August 31, 2002, and \$9.7 million (Other Accrued Items) for accelerated sales tax overpayments.

(4) This includes Accounts Payable, ABC Profits Due to Localities, Other Payments Due to Localities, Car Tax Refund Payable, and Due To Other Funds.

### Proprietary Fund Operations of the Primary Government

Section 58.1-4022(D) of the Code of Virginia requires that the State Lottery Department transfer to the General Fund the audited balances of the State Lottery Fund, net of established reserves. The Auditor of Public Accounts has certified \$367.7 million for transfer to the General Fund for fiscal year 2002. Section 3-1.01.G of Chapter 814, 2002 Acts of Assembly, requires that the Comptroller transfer estimated lottery balances to the General Fund prior to the end of the fiscal year. In accordance with Article X, Section 7-A of the Constitution of Virginia, lottery proceeds must be distributed to the Commonwealth's localities and the school divisions to be expended for the purposes of public education.

## Debt Administration

Virginia is one of only eight states in the nation with a “triple A” bond rating for general obligation debt from the three rating agencies: Moody’s Investors Service, Standard & Poor’s Ratings Group, a division of The McGraw Hill Companies, Inc. and Fitch, Inc. These ratings reflect the Commonwealth’s long-standing record of sound fiscal management, its diversified economic base, and low debt ratios.

The total debt of the Commonwealth, as of June 30, 2002, was \$17.4 billion. Of that amount, \$4.9 billion (28.0 percent) was tax-supported debt. Debt is considered tax supported if State tax revenues are used or pledged for debt service payments. This includes all debt issued pursuant to Article X, Sections 9(a), 9(b) and 9(c) of the Constitution of Virginia, as well as selected Section 9(d) debt issues and other long-term obligations.

Outstanding general obligation debt backed by the full faith and credit of the Commonwealth totaled \$955.8 million at June 30, 2002. Included is Section 9(b) debt totaling \$399.0 million for Public Facilities, and \$52.7 million for Transportation Facilities. In 1992, Virginia voters approved general obligation bond referenda authorizing the issuance of \$613 million in new Section 9(b) bonds to fund for state education and facilities, State managed mental health institutions, and parks and recreational facilities. Of the amount authorized, \$590.1 million was issued, providing sufficient funds to complete all the public facility projects. Principal and interest payments on Public Facilities Section 9(b) debt were less than one-tenth of one percent of total General Fund expenditures in fiscal year 2002.

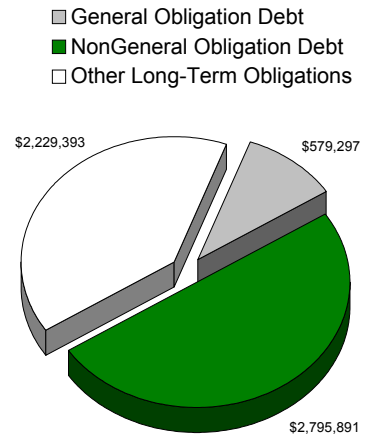
The balance of general obligation debt of \$504.1 million, also backed by the full faith and credit of the Commonwealth, consisted of Section 9(c) bonds. Revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and transportation toll facilities, service these bond payments. Holders of Section 9(c) bonds have a legal claim to general tax revenues of the Commonwealth should revenues prove to be insufficient to meet principal and interest payments. Such claims on general tax revenue have not been made.

The remaining \$3.9 billion in tax-supported debt is made up of selected Section 9(d) bonded debt and other long-term obligations. Tax-supported Section 9(d) debt totaling \$2.6 billion includes transportation debt, as well as the Virginia Port Authority, Virginia Public Building Authority, Innovative Technology Authority, Virginia Biotechnology Research Park Authority, and certain Virginia College Building Authority bonds payable. Other tax-supported long-term obligations include capital leases, certain appropriation supported bonds, installment purchases, notes payable, pension liability, IDA obligations, Virginia Public Broadcasting Board Notes, and compensated absences.

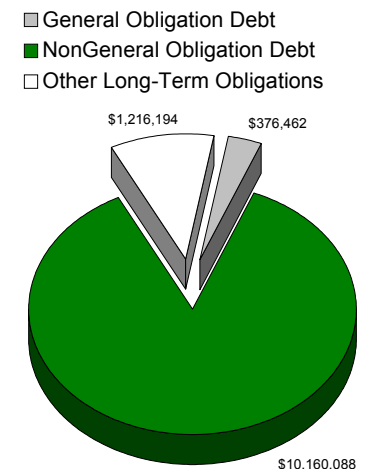
None of the remaining debt of the Commonwealth, which totals \$12.5 billion, is supported by tax revenues. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. At June 30, 2002, \$2.2 billion, or 18.0 percent, of debt not supported by taxes was considered moral obligation debt.

A detailed summary of all the debt issues may be found in Note 17, as well as in the section entitled “Debt Schedules.”

**Total Outstanding Debt  
Primary Government**  
June 30, 2002  
(Dollars in Thousands) *Figure 6*

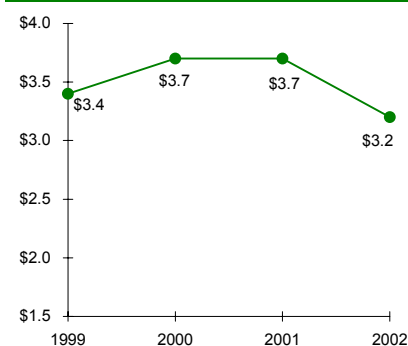


**Total Outstanding Debt  
Component Units**  
June 30, 2002  
(Dollars in Thousands) *Figure 7*



## Investment Policy

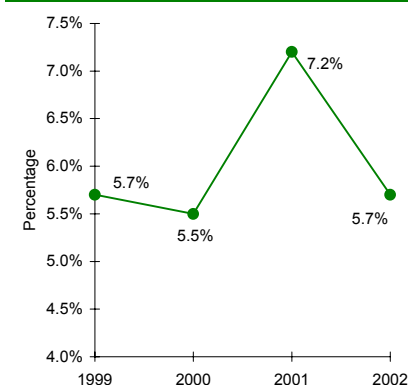
**Average Daily Invested Balance**  
By Fiscal Year  
(Dollars in Billions) *Figure 8*



**Net Earnings on Investments**  
By Fiscal Year  
(Dollars in Millions) *Figure 9*



**Average Yield on Investments**  
By Fiscal Year *Figure 10*



The Commonwealth's primary investment objectives are safety of principal, maintenance of needed liquidity, and attaining a market rate of return throughout budgetary and economic cycles. Accordingly, investments are made in compliance with the *Code of Virginia*, with adherence to specific guidelines adopted by the Treasury Board, and with consideration given to the prevailing investment environment.

The general account of the Commonwealth is a pool of investments representing assets of a number of funds, including the general fund, various higher education operating funds, and the Commonwealth Transportation Trust Fund. These monies are invested in a variety of high quality securities including U.S. Treasury and agency securities, corporate debt securities of domestic corporations, asset-backed securities, mortgage-backed securities, AAA-rated dollar obligations of foreign governments, bankers acceptances, negotiable certificates of deposit and bank notes, repurchase agreements, and money market funds. The general account portfolio is divided into two pools, the primary liquidity pool and the total return pool. The primary liquidity pool is internally managed by Treasury staff and is the major source for disbursement requirements and operational needs of the Commonwealth. The objective of the total return pool, which is externally managed, is to generate higher total returns over a market cycle than would be generated by the primary liquidity pool. Treasury's allocation target for the overall general account asset mix is currently 75 percent for the primary liquidity pool and 25 percent for the total return pool. The average daily invested balance (**Figure 8**) for the fiscal year ended June 30, 2002, was \$3.2 billion, down from the fiscal year 2001 average balance of \$3.7 billion. Net earnings (**Figure 9**) for fiscal year 2002 were \$178.5 million versus fiscal year 2001 earnings of \$264.5 million, resulting in an average return (**Figure 10**) of 5.7 percent for fiscal year 2002 versus an average return of 7.2 percent for fiscal year 2001. The sharp reduction in earnings was a direct result of lower investment balances and lower interest rates. During the first six months of fiscal year 2002, the Federal Reserve lowered interest rates 200 basis points, bringing the total amount of accommodations for calendar year 2001 to 475 basis points. The targeted federal funds rate for the last six months of fiscal year 2002 was 1.75 percent, a 40-year low.

In addition to the general account of the Commonwealth, the Department of the Treasury manages or sponsors a number of individual customized investment programs and two special purpose investment pools. The Local Government Investment Pool (LGIP) is a special purpose money market-like fund managed by Treasury staff for the benefit of public entities of the Commonwealth in the investment of their short-term funds. The LGIP enables participants to maximize their return on investments by providing a fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The State Non-Arbitrage Program (SNAP) is a program providing comprehensive investment management, accounting, and arbitrage rebate calculations for proceeds of tax-exempt financings of Virginia bond issuers. The Treasury Board contracts with an outside manager for administration of the SNAP program. The Treasury Board has adopted investment guidelines for both the LGIP and SNAP, authorizing them to invest in certain high-quality, short-term securities appropriate for money market funds. LGIP shareholder balances averaged \$2.2 billion for fiscal year ended June 30, 2002, with year-end balances of \$2.6 billion. SNAP shareholder balances averaged \$1.6 billion for the fiscal year with year-end balances of \$1.7 billion.

## **Risk Management**

The Commonwealth maintains self-insurance programs for employee health, general (tort) liability, medical malpractice, workers' compensation, property, and automobile liability insurance. These are reported in the Internal Service Funds. The Commonwealth assumes the full risk for claims filed under the employee health insurance program and the workers' compensation program. For the other programs, the risk assumed is limited to certain amounts per occurrence.

The Commonwealth also provides employee health, errors and omissions liability, commuter rail liability, and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. These programs are accounted for in the Enterprise Funds. Additional information on all risk management programs is presented in Note 15 to the Financial Statements.

## **Retirement Systems**

The Commonwealth provides a variety of retirement plans for its employees. The majority of employees participate in one of the four defined benefit plans administered by the Commonwealth. These defined benefit plans are the Virginia Retirement System, the State Police Officers' Retirement System, the Judicial Retirement System, and the Virginia Law Officers Retirement System. Certain employees may elect to participate in selected defined contribution pension plans. Further information on the state's participation in the retirement systems can be found in Note 10 to the financial statements.

## **Reporting Entity**

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and account groups of all agencies, boards, commissions, foundations, and authorities that have been identified as the primary government or a component unit have been included.

Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commonwealth's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

## **Internal Controls**

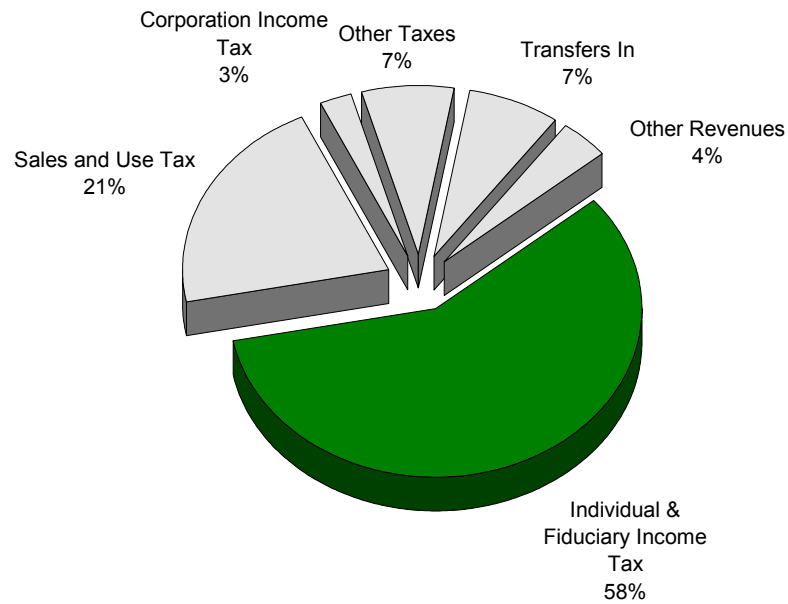
The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements.

Certain budgetary controls also are maintained to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

# Financial Highlights

## General Fund

**Figure 11**  
**Revenue Dollar**  
 Fiscal Year 2002  
 (Basis of Budgeting)

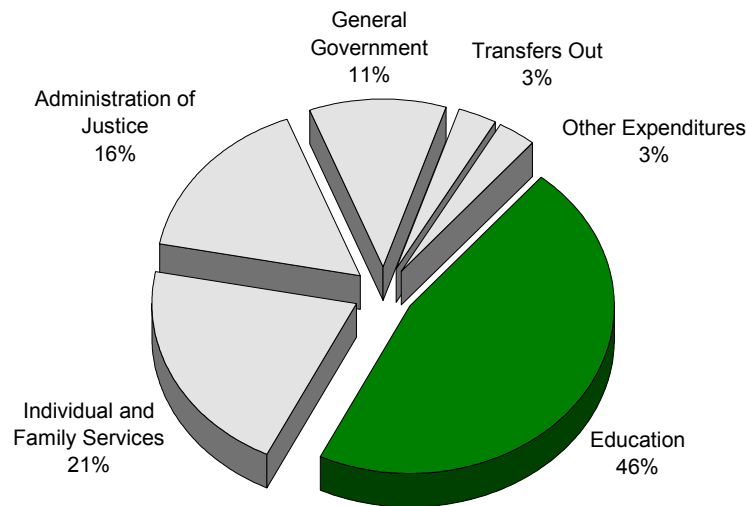


<u>Revenues and Other Financing Sources</u>	<u>FY 2002</u>	<u>FY 2001</u>
Individual & Fiduciary Income Tax	58%	62%
Sales and Use Tax	21%	19%
Corporation Income Tax	3%	3%
Other Taxes	7%	7%
Transfers In (1)	7%	5%
Other Revenues	4%	4%
Total	<u>100%</u>	<u>100%</u>

(1) FY 2001 includes Transfers In from Component Units.

## General Fund

**Figure 12**  
**Expenditure Dollar**  
Fiscal Year 2002  
(Basis of Budgeting)



<u>Expenditures and Other Financing Uses</u>	<u>FY 2002</u>	<u>FY 2001</u>
Education (2)	46%	45%
Individual and Family Services	21%	20%
Administration of Justice	16%	16%
General Government (3)	11%	9%
Transfers Out (4)	3%	8%
Other (5)	3%	2%
Total	<u>100%</u>	<u>100%</u>

- (2) Includes FY 2002 and FY 2001 Transfers Out to Education, 11% and 11%, respectively, of the total Education expenditures.
- (3) Includes payments to localities pursuant to the Personal Property Tax Relief Act of 1998, totaling \$826.2 million and \$604.1 million and 61% and 56% of the FY 2002 and FY 2001, respectively, total General Government expenditures.
- (4) FY 2001 includes Transfers Out to Component Units.
- (5) Includes Transportation, Resources and Economic Development, and Capital Outlay expenditures.

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Imelda Druce*  
President

*Jeffrey L. Esser*  
Executive Director



# Virginia Economic Highlights

## Introduction

An economist at the University of Virginia's Weldon Cooper Center for Public Service prepared this review of the Virginia economy. The brief write-up covers the Virginia economy through FY 2002. Most of the analysis is based on data for the past six fiscal years with emphasis on last year. This provides measures of change for five years. All data are seasonally adjusted unless otherwise noted.

According to the National Bureau of Economic Research, a record-breaking 120-month expansion peaked in March 2001, three months before the beginning of FY 2002. Thus the fiscal year began in the midst of an economic contraction. In addition, there were the terrorist attacks of September 11 and the continuation of a major bear market in stocks that was particularly hard on telecommunications and other leaders in the so-called new economy. In terms of Virginia state government tax revenue, FY 2002 was especially difficult because of reduced realized net capital gains and a decline in business travel and tourism associated with September 11. Northern Virginia was adversely affected by the closing of Reagan National Airport for 23 days and the delay in returning to full operation until mid-April 2002.

## Employment

In FY 2002, Virginia's nonfarm payroll employment fell by 35,100, a 1 percent decline (**Figure 13**). This was in sharp contrast to an average annual gain of 88,400 in the preceding four years. Over three-fifths of the FY 2002 decline was in manufacturing, with declines in most industries. The heaviest losses were in electronics, furniture, and textiles. Manufacturing had been a troubled sector in

past years. This year, however, there were no large offsetting gains in other sectors as had been the case in earlier years. In fact, private services and retail trade, two of the strongest sectors in the past, both experienced declines in FY 2002. The only sectors that experienced employment growth were state and local government, finance, insurance, and real estate, and mining. The gain in state government will be ephemeral since severe budget problems first recognized in the latter part of FY 2002 are now causing hiring freezes and layoffs. The gain in Virginia's small mining sector was unusual. The sector, with its concentration in bituminous coal mining, has generally experienced declines in recent years. The small increase in coal mining employment can be attributed to a run up in oil prices that increased the demand for coal. An important sector with declining employment was the federal civilian government. Its Virginia payroll dropped by 3,600. For a number of years, the federal government has been using private contractors to carry out functions previously performed by federal employees. Thus, at least part of the decline probably was offset by gains in private services employment attributable to federal contracts. However, despite the positive effect of federal contracts, employment in private services declined by 3,500. In previous years, private services had been a major contributor to employment growth. Not all service employment declined. There were major gains in health services, social services, and engineering and management services. Losses were concentrated in business services (an industry that includes temp services) and in hotels. Another sector that had been a contributor to employment growth in previous years was transportation and public utilities. In FY 2002, this sector experienced employment losses associated with the declining fortunes of the telecommunication and airline industries.

Figure 13  
Virginia Nonfarm Payroll Employment

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Change, FY 2001 to FY 2002	
							Number	Percent
Total	3,188,800	3,270,800	3,369,700	3,463,300	3,542,500	3,507,400	(35,100)	(1.0)
Mining	11,100	11,000	10,400	10,000	9,900	10,100	200	2.0
Construction	182,800	186,800	194,200	203,600	212,600	209,800	(2,800)	(1.3)
Manufacturing	401,900	406,800	397,800	394,000	383,900	362,300	(21,600)	(6.0)
Transportation & public utilities	165,100	169,900	174,400	183,100	190,000	181,900	(8,100)	(4.5)
Wholesale trade	143,500	144,200	146,100	148,500	145,500	142,800	(2,700)	(1.9)
Retail trade	576,000	583,400	594,000	611,200	622,800	620,500	(2,300)	(0.4)
Finance, insurance, real estate	165,600	171,700	181,200	186,700	192,100	193,500	1,400	0.7
Private services	945,500	999,300	1,065,500	1,107,700	1,157,500	1,154,000	(3,500)	(0.3)
Federal government	160,500	153,400	151,100	152,300	150,400	146,800	(3,600)	(2.5)
State government	137,900	138,200	141,500	143,800	146,400	147,500	1,100	0.7
Local government	298,800	306,200	313,500	322,400	331,500	338,400	6,900	2.0

Source: Bureau of Labor Statistics

Note: Data are not seasonally adjusted.

The state's 1 percent decline in employment was slightly worse than the national average of 0.8 percent. This was only the second time in the last five fiscal years that Virginia underperformed the nation (**Figure 14**).

The drop in employment was shared by nearly all areas of the state. The metropolitan statistical areas (MSAs), which account for four-fifths of total state employment, experienced a 20,600 drop in payroll employment (**Figure 15**). Virginia's non-metropolitan areas constitute a diverse collection. As a

whole, they sustained a loss of 14,500 jobs. Within the grouping, the Shenandoah Valley region performed well. Weakness was experienced in Southwest Virginia and southern areas with textile and furniture factories. All of the three largest MSAs experienced losses, but the absolute and relative declines were greatest in Northern Virginia. The Norfolk-Virginia Beach-Newport News MSA (Hampton Roads area) experienced a nominal decrease and the Richmond-Petersburg MSA sustained only a small decline.

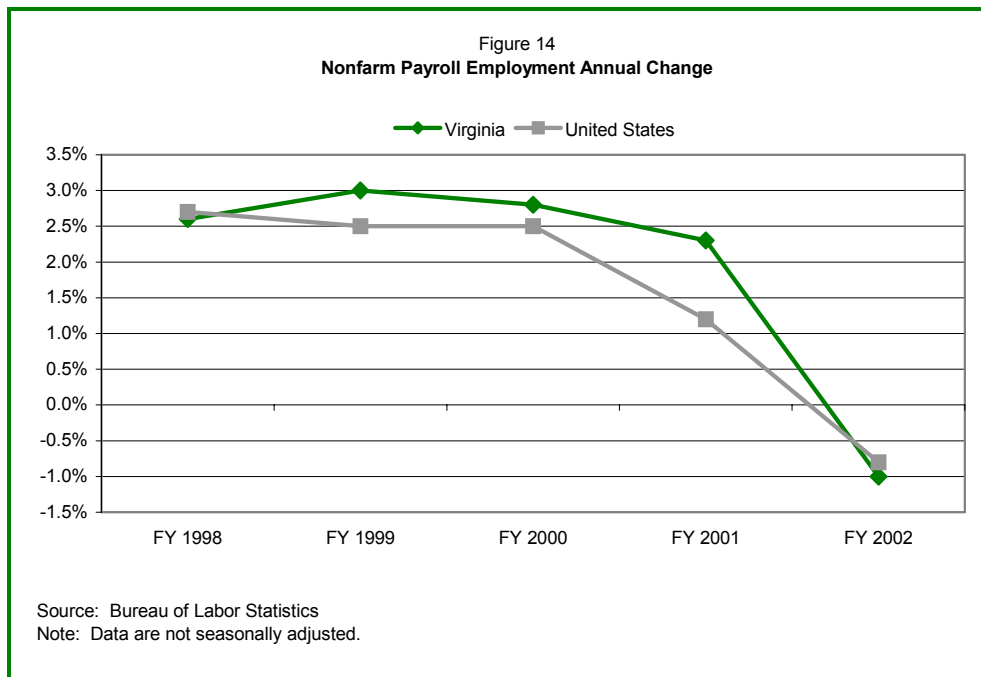


Figure 15  
Nonfarm Payroll Employment by Metropolitan and Non-metropolitan Areas

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Change, FY 2001 to FY 2002	
							Number	Percent
Metropolitan statistical areas	2,551,500	2,625,400	2,702,900	2,788,100	2,863,800	2,843,200	(20,600)	(0.7)
Bristol <sup>1</sup>	37,000	37,500	38,000	39,200	39,600	39,700	100	0.3
Charlottesville	79,500	82,200	84,600	86,700	88,600	87,100	(1,500)	(1.7)
Danville	45,200	45,700	45,800	46,000	46,800	45,200	(1,600)	(3.5)
Lynchburg	96,700	97,700	100,600	103,300	103,200	99,900	(3,300)	(3.3)
Norfolk-Virginia Beach-Newport News <sup>1</sup>	657,000	673,000	689,000	697,300	705,900	705,800	(100)	0.0
Northern Virginia <sup>1</sup>	978,800	1,016,700	1,060,200	1,118,500	1,171,400	1,160,400	(11,000)	(0.9)
Richmond-Petersburg	516,600	530,500	541,400	552,800	562,000	559,900	(2,100)	(0.4)
Roanoke	140,700	142,100	143,300	144,300	146,300	145,200	(1,100)	(0.8)
Non-metropolitan areas	637,300	645,400	666,800	675,200	678,700	664,200	(14,500)	(2.2)

Source: Bureau of Labor Statistics  
<sup>1</sup> Virginia portion of the following interstate MSAs: Johnson City-Kingsport-Bristol TN-VA; Norfolk-Virginia Beach-Newport News VA-NC; and Washington, DC-MD-VA-WV.  
 Note: Data are not seasonally adjusted.

## Unemployment

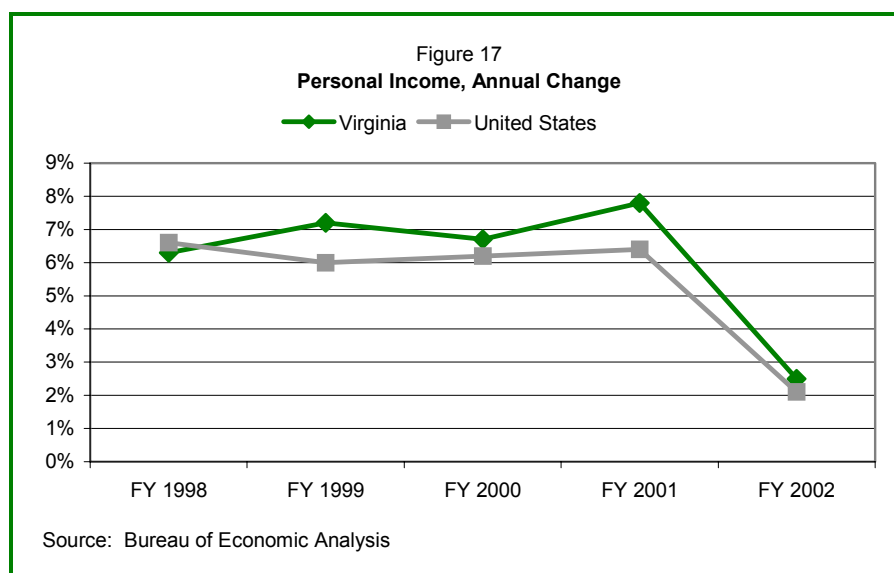
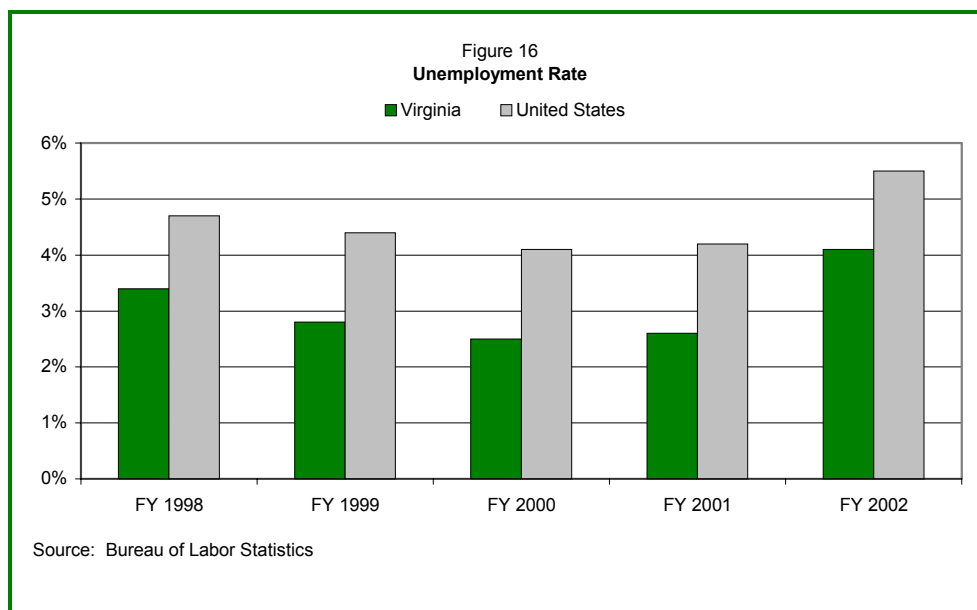
Virginia's unemployment rate for the fiscal year was 4.1 percent, moderate by national standards, but sharply higher than in the previous year when it was only 2.6 percent (**Figure 16**). The seasonally adjusted rate started the fiscal year at 3.6 percent and rose to a peak value of 4.6 percent in April before dropping to 3.8 percent in June 2002. Virginia's unemployment rate was well below the national average in FY 2002 and in preceding years. In fact, in the last half century, Virginia's rate always has been below the national average.

In June 2002 when statewide unemployment totaled 164,300 (not seasonally adjusted), about three out of five unemployed workers were located in the state's three major metropolitan areas (Northern Virginia, Hampton Roads, and Richmond-Petersburg). The metropolitan area with the lowest rate was

Charlottesville (2.8 percent) and the MSA with the highest rate was Danville (9.9 percent). Non-metropolitan areas, accounted for about a fourth of the unemployed, and had an overall rate of 5.1 percent. Within the non-metropolitan area, there were high rates in the coal fields and textile and furniture manufacturing areas and low rates in the Shenandoah Valley.

## Personal Income

Virginia's personal income grew by only 2.5 percent in FY 2002, a much slower rate than in any of the preceding five years (**Figure 17**). In the earlier years, the growth rate averaged 6.8 percent. The state's slower growth mirrored the national experience. In the most recent fiscal year, the national average rose only 2.1 percent.



The calendar year 2001 personal income data for Virginia and the U.S. illustrate the relative importance of various components of personal income (**Figure 18**). The Virginia economy shares many similarities with the nation so most items represent about the same percentage of total income as nationally. Items that differ greatly (2 percentage points or more) are highlighted. The adjustment for residence reflects the importance of Northern Virginia as a bedroom community for the District of Columbia. Transfer payments represent a smaller share in Virginia. The state has a young population so Social Security benefits are a smaller share of income. Also, Virginia's lower unemployment translates into minimal unemployment insurance payments. Manufacturing is relatively less important than nationwide. Private services are relatively more important in the Old Dominion. A major reason is the importance of business services, a category that includes many high tech firms. As would be expected

with the many federal agencies in Virginia including the Pentagon and the importance of military bases in Virginia, the state has an above-average share of earnings from federal civilian and military employment.

In calendar year 2001, Virginia's per capita income was \$32,431, an amount 106.4 percent of the national average. The Commonwealth ranked twelfth from the top among the fifty states. In the last six years, there was steady improvement in the state's ratio to the national average and its ranking. In 1996 per capita income was 103.7 percent of the national average and the state ranked fifteenth. Among its neighbors, Virginia's 2001 per capita amount exceeded incomes in North Carolina, Tennessee, Kentucky, and West Virginia, but was lower than incomes in the District of Columbia and Maryland.

Figure 18  
Personal Income by Major Source and Earnings by Industry, CY 2001

Item	Percent of Total		Percentage Point Difference
	Virginia	U.S.	
Personal income	100.0	100.0	0.0
Earnings by place of work	72.6	71.9	0.7
Less: Personal contributions for social insurance	4.4	4.3	0.1
Plus: Adjustment for residence	3.9	0.0	3.9
Net earnings by place of residence	72.1	67.6	4.5
Plus: Dividends, interest, and rent	17.9	18.9	- 1.0
Plus: Transfer payments	9.9	13.5	- 3.6
Earnings by industry	72.6	71.9	0.7
Farm earnings	0.2	0.5	- 0.3
Agricultural services, forestry, fishing, and other	0.4	0.5	- 0.1
Mining	0.4	0.6	- 0.2
Construction	4.5	4.4	0.1
Manufacturing	7.3	10.6	- 3.3
Transportation and public utilities	4.8	4.9	- 0.1
Wholesale trade	3.6	4.3	- 0.7
Retail trade	5.8	6.3	- 0.5
Finance, insurance, and real estate	5.4	6.9	- 1.5
Services	23.4	21.3	2.1
Federal, civilian	5.1	2.2	2.9
Military	3.9	0.9	3.0
State and local	7.9	8.4	- 0.5

Source: Bureau of Economic Analysis

Note: Screen indicates a difference of 2 or more percentage points between Virginia and the United States.

## Federal Contracts

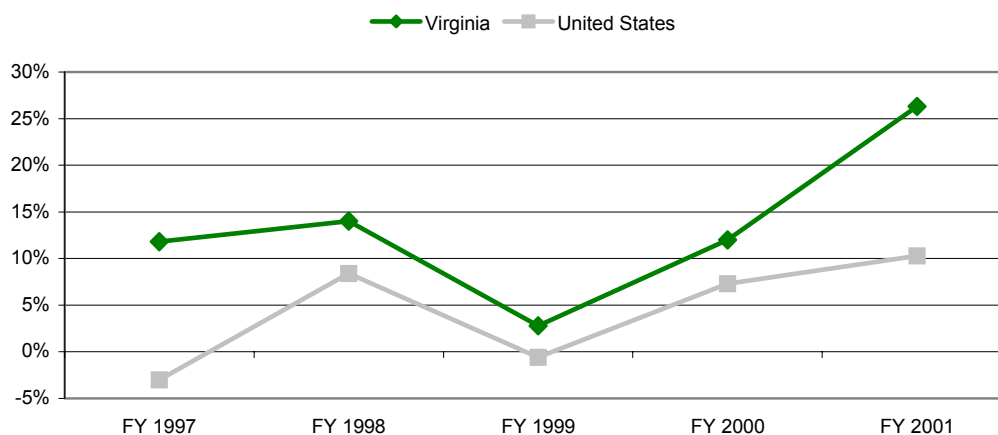
Federal contracts are a major driver for the Virginia economy. Data on federal prime contract awards are available through federal fiscal year 2001, which ended in September 2001. That year shows little of the impact of September 11 on government contracts. In federal FY 2001, Virginia accounted for 10.9 percent of prime contract awards and the amount was exceeded only by California. On a per capita basis, Virginia ranked second in the nation. Only the District of Columbia had a higher amount.

In recent years, defense contracts have accounted for about two-thirds of the contracts awarded in Virginia with a concentration in Hampton Roads, the so-called capital of the

U.S. Navy, and Northern Virginia, home of the Pentagon. Two Virginia localities, Newport News City and Fairfax County, ranked in the top five counties or county equivalent areas in the nation receiving defense contracts in FY 2001. The value of contracts fluctuates from year to year primarily because of the long lead-time for military hardware. For example, an aircraft carrier takes five years to build from laying the keel to delivery.

In FY 2001, the state's federal contracts rose by 26 percent (**Figure 19**). This very large increase was fueled by major contract awards to Northrop Grumman Newport News, the nation's only builder of nuclear powered aircraft carriers. Since FY 1996, contracts in Virginia have risen faster than the national average in every year.

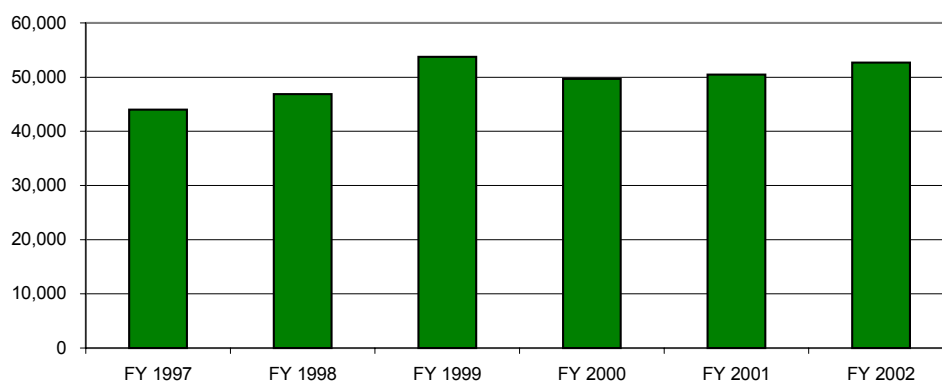
Figure 19  
Federal Procurement Contract Awards Annual Change



Source: Bureau of the Census

Note: Based on federal fiscal years that end in September.

Figure 20  
Building Permits Issued for Private Housing Units



Source: Bureau of the Census

Note: Data are not seasonally adjusted.

## Residential Permits

Spurred by low mortgage rates, building permits issued for private housing units remained at a high level. In FY 2002, the number issued was 52,717, the second highest number in the last six years (**Figure 20**). The gain was 4.5 percent over FY 2001 compared to 2.9 percent for the nation as a whole.

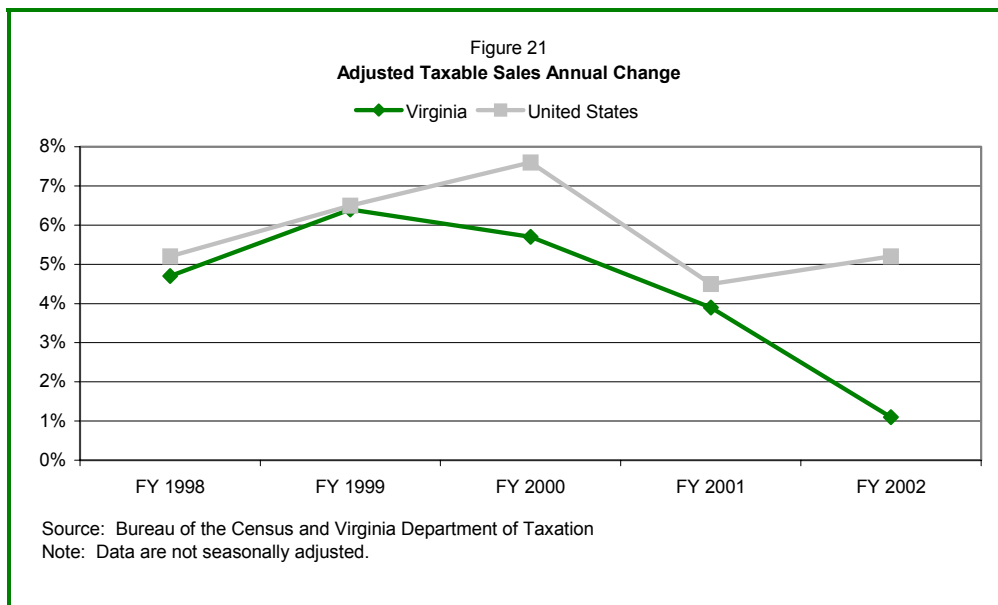
## Taxable Sales

The Virginia sales and use tax is a broad based tax that covers most retail sales. However, to compare collection results with national data on retail sales it is necessary to adjust the series. To make the national sales data comparable, the following items not included in the Virginia tax base were excluded: gasoline sales and new and used vehicle sales. To make the Virginia data comparable with the adjusted national data, motel and hotel taxable sales were excluded since lodging is not included in national retail sales. Virginia adjusted taxable sales rose 1.1 percent in FY 2002, a growth rate much lower than in the preceding four years

(**Figure 21**). The state's taxable sales growth rate was also far below the comparable national rate of 5.2 percent. A major reason for the slow state growth in FY 2002 was the impact of September 11 on the Northern Virginia economy. Although the sales tax data have been adjusted to exclude motel and hotel sales, there were other sales categories such as restaurant meals that were severely affected by the reduction in tourism and business travel.

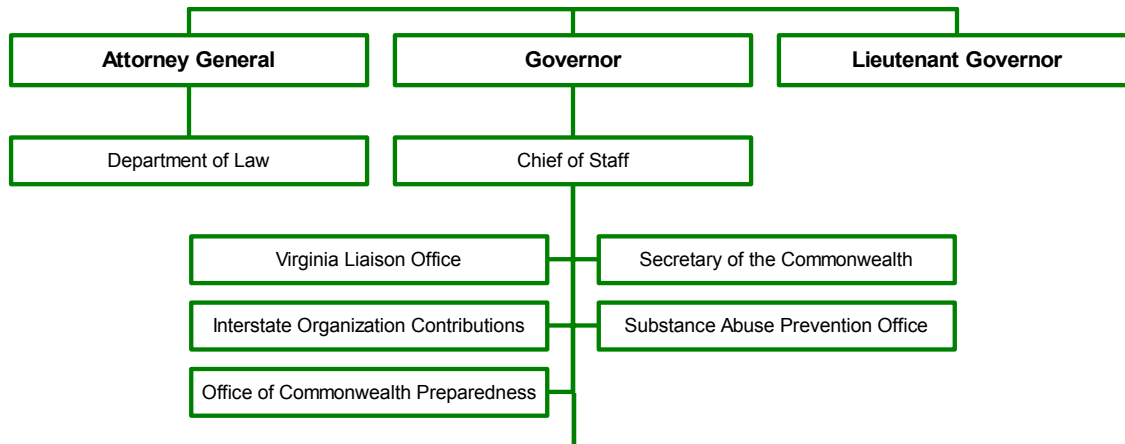
## Population

Virginia's population in calendar year 2001 was 7.2 million according to provisional estimates by the Census Bureau. From 2000 to 2001 Virginia's population gain was 1.2 percent versus 0.9 percent for the nation. The Northern Virginia MSA had the most rapid growth within the Commonwealth, increasing by 2.4 percent. That area is the dominant population center of Virginia, accounting for nearly a third of the state's total population. Taken together, Northern Virginia, Hampton Roads, and Richmond-Petersburg are home to two-thirds of Virginia's residents.



# Organization of Executive Branch of Government

As of June 30, 2002



## Secretary of Administration

Charitable Gaming Commission  
 Commission on Local Government  
 Commonwealth Competition Council  
 Compensation Board  
 Department for the Rights of Virginians with Disabilities  
 Department of Employment Dispute Resolution  
 Department of General Services  
 Department of Human Resource Management  
 Department of Veterans' Affairs  
 Human Rights Council  
 State Board of Elections  
 Virginia Public Broadcasting Board  
 Virginia Veteran's Care Center Board of Trustees

## Secretary of Technology

Department of Information Technology  
 Department of Technology Planning  
 Innovative Technology Authority  
 Virginia Information Providers Network Authority

## Secretary of Finance

Department of Accounts  
 Department of Planning and Budget  
 Department of the State Internal Auditor  
 Department of Taxation  
 Department of Treasury  
 Treasury Board

## Secretary of Public Safety

Commonwealth's Attorneys' Services Council  
 Department of Alcoholic Beverage Control  
 Department of Correctional Education  
 Department of Corrections  
 Department of Criminal Justice Services  
 Department of Emergency Management  
 Department of Fire Programs  
 Department of Juvenile Justice  
 Department of Military Affairs  
 Department of State Police  
 Virginia Parole Board

## Secretary of Transportation

Department of Aviation  
 Department of Motor Vehicles  
 Department of Rail & Public Transportation  
 Department of Transportation  
 Motor Vehicle Dealer Board  
 Virginia Port Authority

## Secretary of Commerce and Trade

Board of Accountancy  
 Department of Agriculture & Consumer Services  
 Department of Business Assistance  
 Department of Forestry  
 Department of Housing and Community Development  
 Department of Labor and Industry  
 Department of Mines, Minerals and Energy  
 Department of Minority Business Enterprise  
 Department of Professional and Occupational Regulation  
 Milk Commission  
 Virginia Agricultural Council  
 Virginia Economic Development Partnership  
 Virginia Employment Commission  
 Virginia Racing Commission  
 Virginia Tourism Authority

## Secretary of Health and Human Resources

Comprehensive Services for At-Risk Youth and Families  
 Council on Indians  
 Department for the Aging  
 Department for the Deaf and Hard of Hearing  
 Department of Health  
 Department of Health Professions  
 Department of Medical Assistance Services  
 Department of Mental Health, Mental Retardation and Substance Abuse Services  
 Department of Rehabilitative Services  
 Department of Social Services  
 Virginia Board for People with Disabilities  
 Virginia Department for the Blind and Vision Impaired

## Secretary of Education

Christopher Newport University  
 College of William and Mary  
 Department of Education  
 Frontier Culture Museum of Virginia  
 George Mason University  
 Gunston Hall Plantation  
 James Madison University  
 Jamestown-Yorktown Foundation  
 The Library of Virginia  
 Longwood University  
 Mary Washington College  
 Norfolk State University  
 Old Dominion University  
 Radford University  
 Roanoke Higher Education Authority  
 The Science Museum of Virginia  
 Southwest Virginia Higher Education Center  
 State Council of Higher Education for Virginia  
 University of Virginia  
 Virginia College Building Authority  
 Virginia Commission for the Arts  
 Virginia Commonwealth University  
 Virginia Community College System  
 Virginia Military Institute  
 Virginia Museum of Fine Arts  
 Virginia Polytechnic Institute and State University  
 Virginia School for the Deaf and Blind at Staunton  
 Virginia School for the Deaf, Blind and Multi-Disabled at Hampton  
 Virginia State University

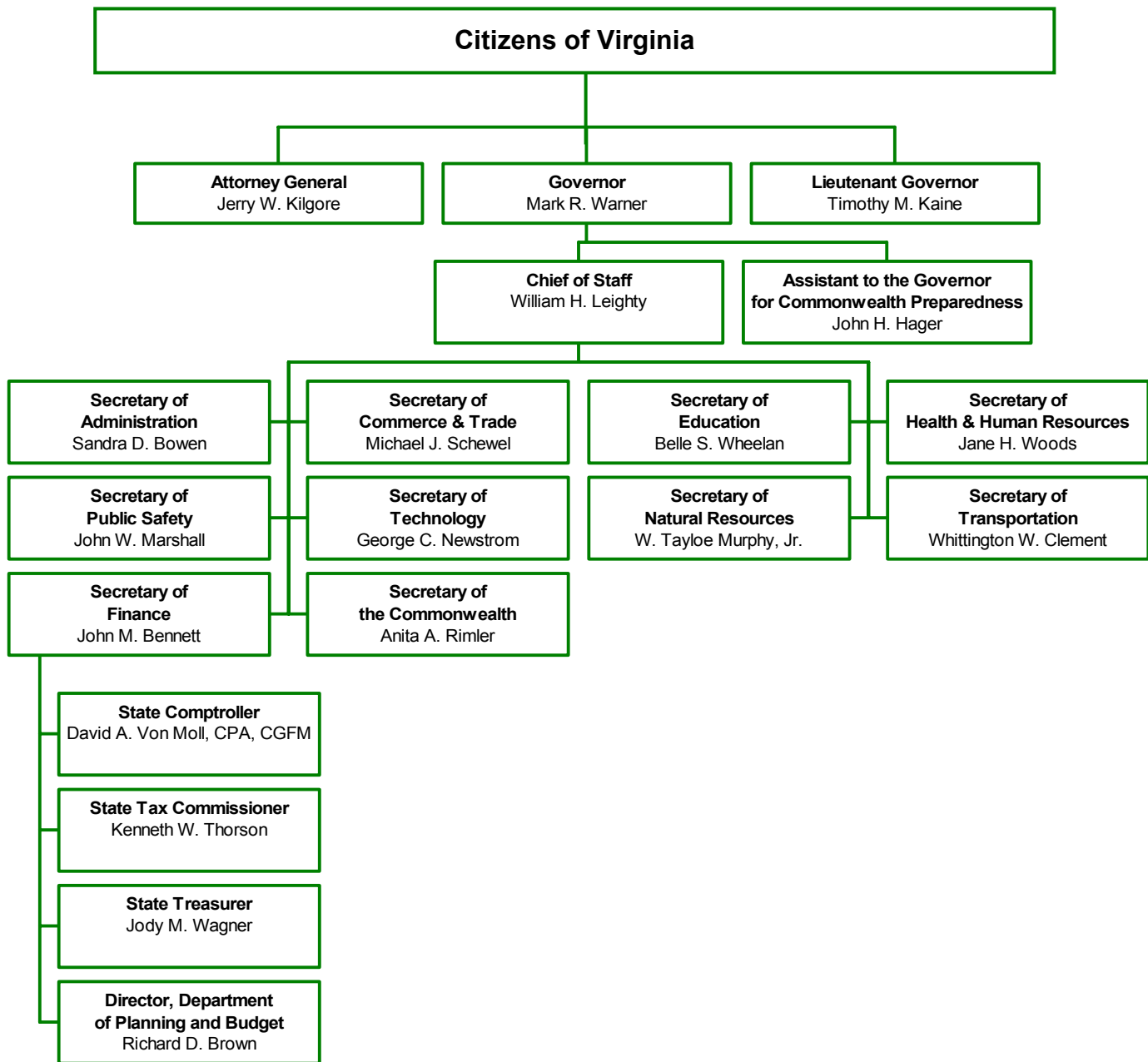
## Secretary of Natural Resources

Chesapeake Bay Local Assistance Department  
 Chippokes Plantation Farm Foundation  
 Department of Conservation and Recreation  
 Department of Environmental Quality  
 Department of Game and Inland Fisheries  
 Department of Historic Resources  
 Marine Resources Commission  
 Virginia Museum of Natural History

# Organization of Government

## Selected Government Officials - Executive Branch

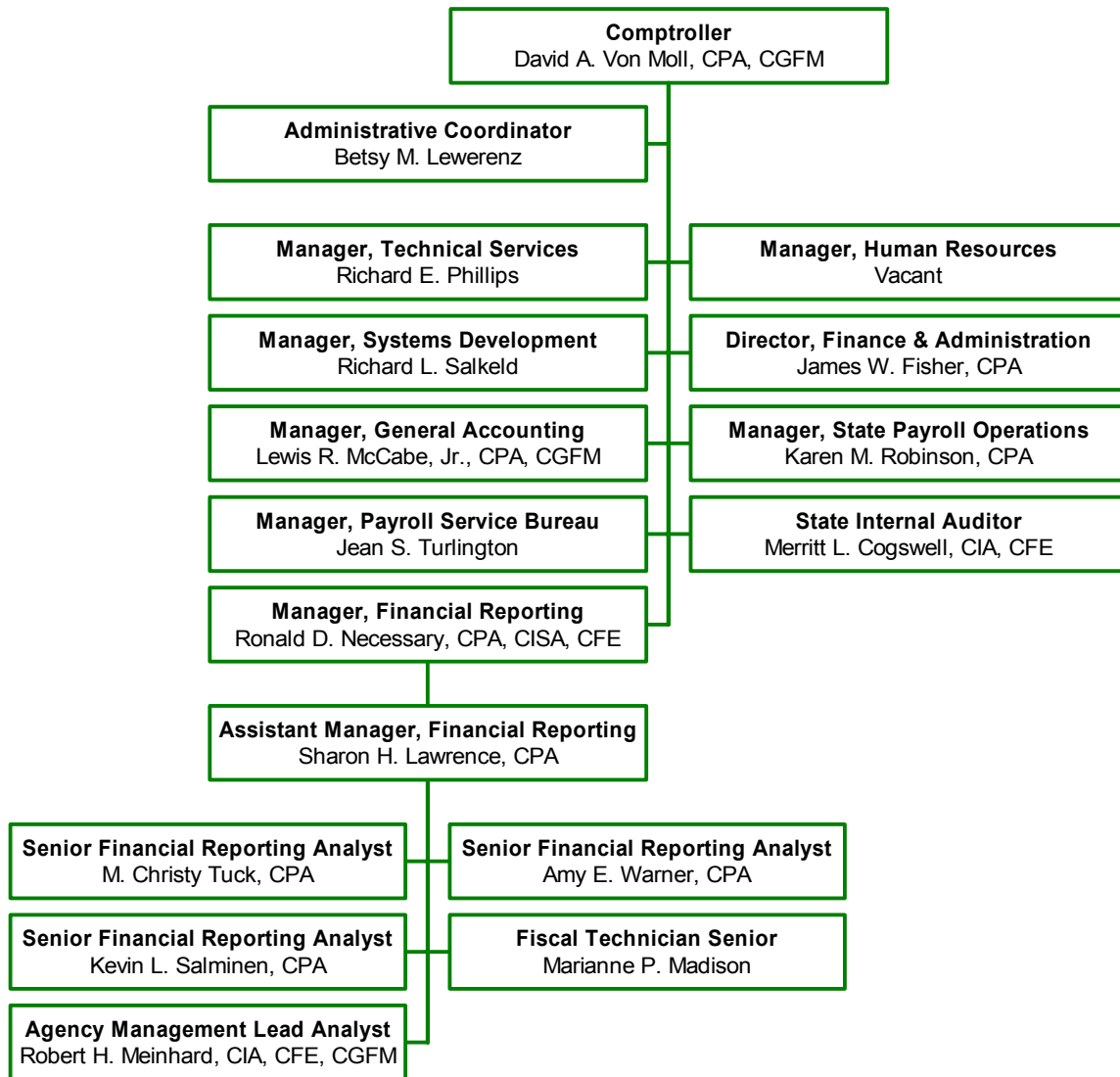
As of December 13, 2002





# Organization of the Department of Accounts

As of December 13, 2002





# FINANCIAL SECTION

Independent Auditor's Report  
Management's Discussion and Analysis  
Basic Financial Statements  
Required Supplementary Information  
Combining and Individual Fund Statements and Schedules



# Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295

Richmond, Virginia 23218

Walter J. Kucharski, Auditor

December 12, 2002

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2002, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pocahontas Parkway Association major enterprise fund. We did not audit the financial statements of the State Non-Arbitrage Pool, which represents 3.63 percent and 0.45 percent, respectively, of the assets and revenues of the aggregate remaining fund information. We did not audit the financial statements of certain Component Units of the Commonwealth discussed in Note 1.B., which represent 47.89 percent and 24.41 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pocahontas Parkway Association, State Non-Arbitrage Pool, and certain Component Units discussed in Note 1.B. is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Virginia Commonwealth University Health System Authority, Pocahontas Parkway Association, Hampton Roads Sanitation District Commission, and State Non-Arbitrage Pool were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 26, the Commonwealth has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2002.

The management's discussion and analysis, budgetary comparison information, funding progress for defined benefit pension plans, and claims development information on pages 31 through 40 and 150 through 160 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The introductory section, combining and individual financial statements for the nonmajor funds, fiduciary funds, and the discretely presented component units, debt schedules, and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements for the nonmajor funds, fiduciary funds, and discretely presented component units and debt schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statement taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, reports on the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants will be issued under separate cover in the Commonwealth of Virginia Single Audit Report.

A handwritten signature in black ink, reading "Walter J. Huchacek". The signature is fluid and cursive, with a large, stylized initial "W".

AUDITOR OF PUBLIC ACCOUNTS



## Management's Discussion and Analysis

The following is a discussion and analysis of the Commonwealth of Virginia's (Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2002. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, which are located after this analysis. The Commonwealth implemented the new reporting standard, GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during FY 2002. GASB Statement No. 34 requires the inclusion of infrastructure and the use of full accrual accounting in the Government-wide Statements. Since this is the first year of implementation much of the information reported in the financial statements is not comparable to prior years. As a result, this discussion and analysis provides few comparisons with FY 2001, but future reports will include extensive comparisons.

### FINANCIAL HIGHLIGHTS

#### Government-wide Highlights

The Commonwealth's assets exceeded its liabilities at June 30, 2002, by \$11.3 billion. Net assets of governmental activities increased by \$237.9 million and net assets of business type activities decreased by \$338.9 million.

#### Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of \$1.9 billion, a decrease of \$825.9 million in comparison with the prior year. Of this total fund balance, \$1.3 billion represents unreserved fund balance and the remaining \$629.6 million represents amounts reserved for specific purposes, such as the Revenue Stabilization Fund and education. The proprietary funds reported net assets at June 30, 2002, of \$814.9 million, a decrease of \$339.5 million during the year.

#### Long-term Debt

The Commonwealth's total debt rose during the fiscal year to \$17.4 billion, an increase of \$2.6 billion or 17.7 percent. During FY 2002, the Commonwealth issued \$2.6 billion of new debt. More detailed information regarding these activities begins on page 238.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Commonwealth's basic financial statements, which include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains additional required supplementary information and other information.

#### Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commonwealth's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Commonwealth's financial position which helps readers determine whether the Commonwealth's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

The Statement of Net Assets (pages 42 and 43) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 44 and 45) presents information showing how the Commonwealth's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and Statement of Activities report three separate activities. These activities are described as follows:

**Governmental Activities** – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth's basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

**Business-type Activities** – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the State Lottery, Virginia College Savings Plan, Pocahontas Parkway (a privatized toll-road project), and Unemployment Insurance Fund.

**Discretely Presented Component Units** – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 16 authorities and 19 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 50 and 54) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statement, but are recorded as long-term liabilities in the government-wide financial statements.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 47 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth's current needs.

Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Commonwealth reports 16 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 12 governmental funds are aggregated into a single column on the fund statements. Individual fund



data for these nonmajor governmental funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public, like the State Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. Since enterprise funds use the full accrual basis of accounting, there are no differences between amounts reported on the government-wide statements and the Enterprise Fund statements. Internal Service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal Service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

The Commonwealth reports 29 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, Virginia College Savings Plan, Pocahontas Parkway Association, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statement because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Nets Assets beginning on page 66.

The Commonwealth's fiduciary funds are the:

- Private-purpose Trust, which reports the activities for 6 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
- Pension Trust, which reports the activities of 9 separate pension and other employment retirement plans for employees;
- Investment Trust, which accounts for the activities of the 3 external investment pools; and,
- Agency, which accounts for assets held on behalf of others in 21 separate funds.

Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the Required Supplementary Information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, all of which are considered major component units. Data from the other component units are aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the Required Supplementary Information.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements

## Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning the Commonwealth's progress in funding pension benefits and trend information for Commonwealth-managed risk pools.

## Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 163 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Commonwealth's combined net assets exceeded its liabilities by \$11.3 billion during the fiscal year. The net assets of the governmental activities increased \$237.9 million or 2.3 percent, while business-type activities had a decrease of \$338.9 million or 29.4 percent.

Figure 22  
**Net Assets as of June 30, 2002**  
(Dollars in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 4,921,175	\$ 2,435,046	\$ 7,356,221
Capital assets	12,377,199	352,387	12,729,586
Total assets	17,298,374	2,787,433	20,085,807
Long-term liabilities outstanding	3,921,764	1,682,817	5,604,581
Other liabilities	2,925,260	289,103	3,214,363
Total liabilities	6,847,024	1,971,920	8,818,944
Net assets:			
Invested in capital assets, net of related debt	9,152,089	23,472	9,175,561
Restricted	1,433,486	899,794	2,333,280
Unrestricted	(134,225)	(107,753)	(241,978)
Total net assets	\$ 10,451,350	\$ 815,513	\$ 11,266,863

Note: Since the Commonwealth implemented GASB Statement No. 34, during FY 2002, prior year information is not available.

The largest portion of the Commonwealth's net assets (80 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Commonwealth uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Commonwealth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (see Figure 22).

An additional portion of the Commonwealth's net assets (20 percent) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of unrestricted net assets (\$134 million) represents debt associated with assets that are recorded in component units. (i.e. assets that reside in the component unit statements of colleges and universities, but the debt resides in governmental activities) (see Figure 22).

Approximately 96.4 percent of the Commonwealth's total general revenue came from taxes. While the Commonwealth's expenses cover many services, the largest expenses are for education, social services, and public safety. General revenues normally fund governmental activities. For FY 2002, governmental activity expenses exceeded program revenues, resulting in the use of \$12.4 billion in general revenue (primarily taxes). Revenues exceeded net expenses from business-type activities by \$65 million. The following condensed financial information was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see Statement of Changes in Net Assets on page 45).

Figure 23  
**Changes in Net Assets for the Fiscal Year Ended June 30, 2002**  
(Dollars in Thousands)

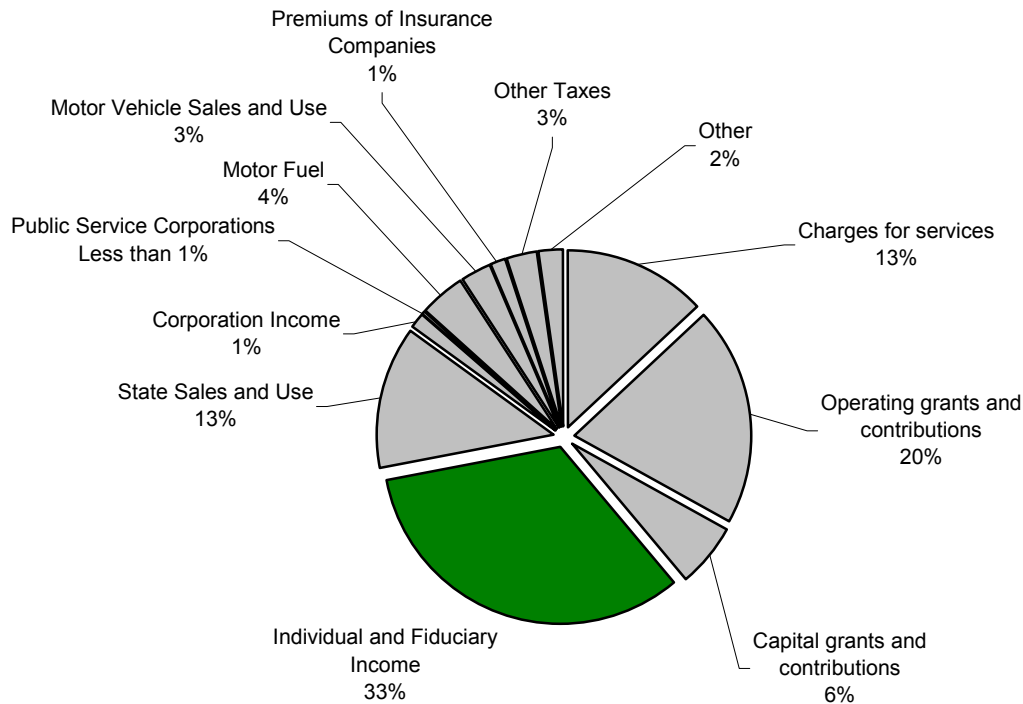
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,672,386	\$ 1,947,754	\$ 4,620,140
Operating Grants and Contributions	3,997,917	277,904	4,275,821
Capital Grants and Contributions	1,188,434	-	1,188,434
General revenues:			
Taxes:			
Individual and Fiduciary Income	6,713,858	-	6,713,858
State Sales and Use	2,658,482	-	2,658,482
Corporation Income	240,147	-	240,147
Public Service Corporations	82,079	-	82,079
Motor Fuel	854,340	-	854,340
Motor Vehicle Sales and Use	526,121	-	526,121
Premiums of Insurance Companies	293,323	-	293,323
Other Taxes	602,252	2,821	605,073
Unrestricted Grants and Contributions	60,392	-	60,392
Investment Earnings	200,445	14,740	215,185
Miscellaneous	164,389	1,758	166,147
Other Financing Sources (Uses)	-	-	-
Total Revenues	<u>20,254,565</u>	<u>2,244,977</u>	<u>22,499,542</u>
Expenses:			
General Government	1,602,712	-	1,602,712
Education	6,405,822	-	6,405,822
Transportation	2,194,797	-	2,194,797
Resources and Economic Development	771,184	-	771,184
Individual and Family Services	6,919,239	-	6,919,239
Administration of Justice	2,323,021	-	2,323,021
Interest and Charges on Long-Term Debt	224,112	-	224,112
Unallocated Depreciation	-	-	-
State Lottery	-	742,920	742,920
Virginia College Savings Plan	-	258,851	258,851
Pocahontas Parkway	-	25,022	25,022
Unemployment Insurance	-	656,332	656,332
Nonmajor	-	476,558	476,558
Total Expenses	<u>20,440,887</u>	<u>2,159,683</u>	<u>22,600,570</u>
Excess before contributions to term and permanent endowments, special and extraordinary items, and transfers	(186,322)	85,294	(101,028)
Transfers	424,174	(424,174)	-
Increase (Decrease) in net assets	237,852	(338,880)	(101,028)
Net assets, July 1	10,213,498	1,154,393	11,367,891
Net assets, June 30	<u>\$ 10,451,350</u>	<u>\$ 815,513</u>	<u>\$ 11,266,863</u>

Note: Since the Commonwealth implemented GASB Statement No. 34, during FY 2002, prior year information is not available.

## Governmental Activities Revenues

The following is a graphical representation of the Statement of Activities revenues for governmental activities.

Figure 24  
Revenues by Source – Governmental Activities  
FY 2002

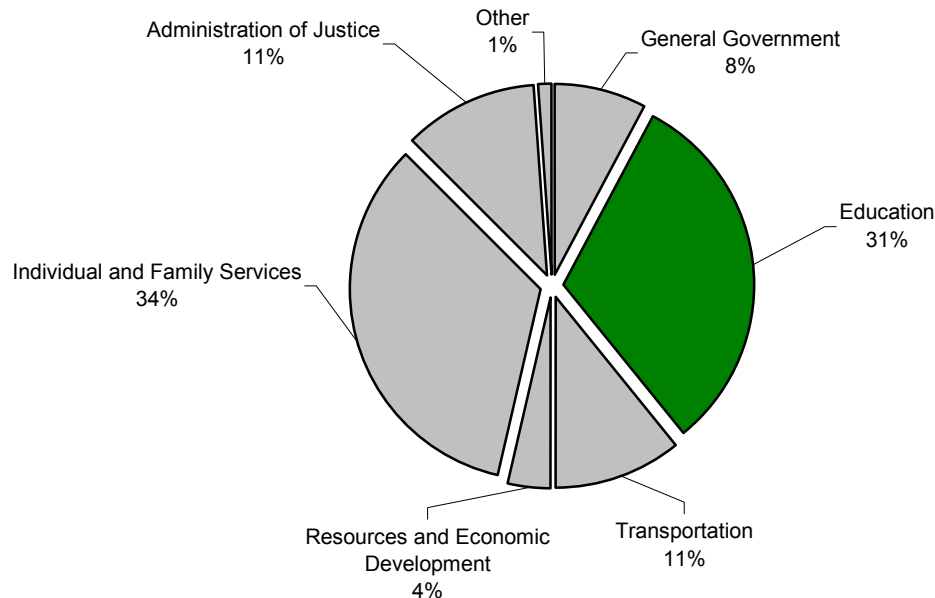


In fiscal year 2002, total revenues fell by 3.8 percent, trailing the official forecast by \$237 million. Fiscal year 2002 collections marked the largest revenue decline since the Commonwealth began keeping revenue forecasting records in 1960. Most of the shortfall was due to a drop in collections of individual income tax, which declined for the first time since fiscal year 1990. A sharp drop in non-withholding, higher growth in refunds, and dramatically slowing withholding growth collectively pulled growth in net individual collections down 7.1 percent from fiscal year 2001. Several factors account for the sluggish growth in withholding. The recession stalled job growth in the Commonwealth and payroll employment declined throughout fiscal year 2002. The malaise in both the high-tech and telecommunications sectors led to the loss of tens of thousands of high-paying jobs, particularly in Northern Virginia. In addition, as the stock market weakened, the flurry of activity in exercising stock options, which occurred in the late 1990's, is no longer boosting growth in this source. The decline in collections of non-withholding in fiscal year 2002 was three times larger than that experienced during the last recession. Growth in this source is largely driven by stock market activity, and the drop in fiscal year 2002 follows a 13 percent decline in the S&P 500 stock index during calendar year 2001. Finally, a record number of refunds was issued in fiscal year 2002 and the size of the average refund increased by 18 percent. The fall 2002 revenue forecasting process is underway, but the current outlook calls for total revenue growth of a modest 0.8 percent in fiscal year 2003 and 4.5 percent in fiscal year 2004.

## Governmental Activities Expenses

The following is a graphical representation of the Statement of Activities expenses for governmental activities.

Figure 25  
**Expenditures by Type – Governmental Activities  
FY 2002**



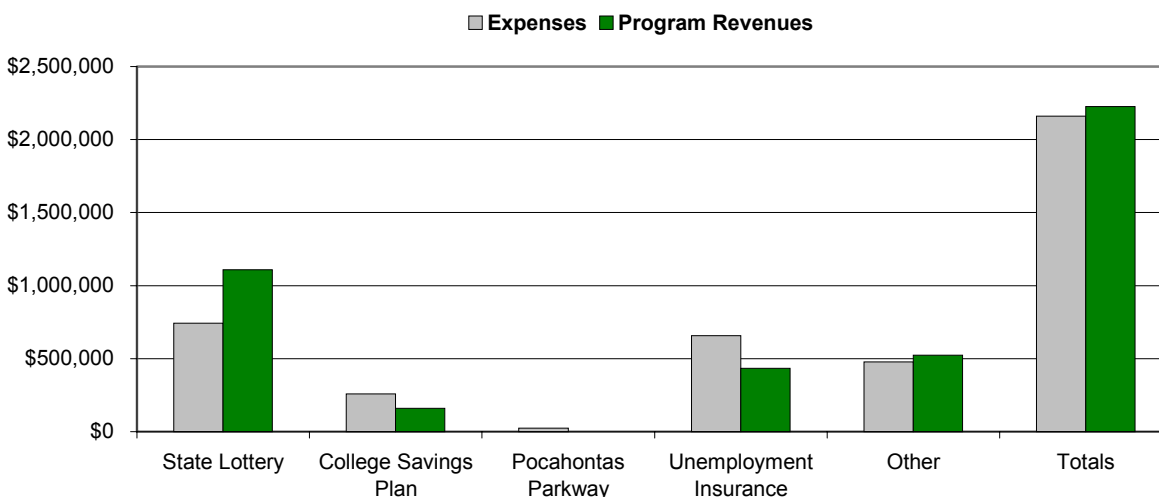
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## Net Assets of Business-type Activities

Net assets of business-type activity decreased by \$338.9 million during the fiscal year. Factors contributing to this change were:

- Lottery sales increased by \$105.2 million (10.5 percent) over last year to a record \$1.108 billion. Net income was a record \$367.7 million, an increase of \$38.6 million (11.7 percent) from FY 2001. Sales of most Lottery products increased in FY 2002 and sales for the scratch games, Pick 4 and the Big Game broke all prior sales records. The primary reason for this was Lottery's introduction of 500 additional retail locations and the purchase of more efficient terminals to speed up the delivery of products. Additionally, the Big Game/Mega Millions sales were up 57.5 percent due in large part to a \$331 million jackpot in April.
- Virginia College Savings Plan's net assets of the business-type activities decreased by \$99 million. The decrease was due to poor economic performance of long-term investments of the Virginia Prepaid Education Program (VPEP) and the sharp increase in tuition and mandatory fees at Virginia's higher education institutions. VPEP's actuarially determined liabilities exceeded actuarially projected net assets by approximately 8 percent at June 30, 2002, resulting in an unfunded liability of \$57.9 million. This compares to an over funding situation in fiscal year 2001, where projected net assets exceeded actuarial liabilities by 8.5 percent.
- Pocahontas Parkway Association revenues decreased \$4.1 million (44 percent) over last year. Investment earnings declined \$4.7 million (50 percent) as funds were expended to finance continued construction of the Route 895 Connector Toll Road Project. Offsetting this decrease were \$0.6 million in liquidated damages received for the late opening of the facility and the start-up of toll operations. Expenditures increased to \$25 million in FY 2002 from \$24.6 million in FY 2001, as current operating expenses increased in preparation of the opening of the roadway. The Association's accumulated deficit balance increased to (\$48) million in FY 2002 from (\$28.3) in FY 2001. This change is due to debt service expenditures exceeding revenues by \$19.7 million.
- Unemployment Insurance Fund cash balance decreased \$210.6 million during FY 2002. This reduction is the result of a continuation of 67 percent of employers still enjoying a zero rate for unemployment insurance in a year of continued economic downturn. The Commonwealth's average unemployment rate in FY 2002 was 4.1 percent, as compared to 2.4 percent in FY 2001. FY 2002 saw an increase of \$403.8 million (159.9 percent) in benefits paid for unemployment, and a reduction of \$10.1 million in unemployment insurance paid by employers due to layoffs and company closures.

Figure 26  
**Business-Type Activities**  
**Program Revenues and Expenses**  
**For the Fiscal Year Ended June 30, 2002**  
(Dollars in Thousands)



## FUND STATEMENTS FINANCIAL ANALYSIS

As of the end of the fiscal year, the Commonwealth's governmental funds reported combined ending fund balances of \$1.9 billion. Of this total amount, \$1.3 billion, or 67.4 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to a variety of other restricted purposes such as outstanding debt and capital outlay.

### General Fund Highlights

The General Fund is the chief operating fund of the Commonwealth. At the end of the current fiscal year, unreserved fund balance of the general fund was (\$749.1) million and reserved fund balance was \$532.4 million. Total fund balance of the general fund decreased by (\$779.2) million during the fiscal year due to lower tax collections and a slowing economy. The FY 2002 revenues were 4.5 percent lower than the FY 2001 revenues.

The Commonwealth's revenue forecasts mirrored the weakening national economic condition. The original FY 2002 General Fund revenue forecast of \$12.1 billion was reduced by \$1.2 billion. Actions taken by the Governor and the 2002 General Assembly to offset softening FY 2002 revenues included a combination of transfers, budget reductions, additional revenues, and alternative funding strategies:

- Transfer In from the Revenue Stabilization Fund of \$467.7 million;
- Transfer In pursuant to an intergovernmental transfer from the Department of Medical Assistance Services of \$259 million;
- Reduced agency operating budgets by \$139.1 million;
- Increased sales and use tax revenue by accelerating tax payments from FY 2003 into FY 2002 by \$149.4 million. This included \$21.3 million subsequently transferred to the Transportation Trust Fund;
- Increased interest revenue by suspending fourth quarter nongeneral fund interest allocations by \$15.6 million;
- Shifted funding for teacher retirement contributions from the General Fund to the Literary Fund of \$110 million; and,
- Shifted funding for planned capital outlay and transportation projects using alternative funding strategies of \$178.1 million.

Final FY 2002 revenues fell short of the forecast by over \$200 million. This shortfall was more than offset by unexpended agency operating and capital outlay appropriations of \$242.2 million.

Concurrent with the FY 2002 revenue forecast reduction, the revenue forecast for the 2003-2004 biennium was reduced by \$2.5 billion. The budget was balanced using many of the same strategies as those instituted for FY 2002 including reductions in agency-authorized spending of 7 and 8 percent in FY 2003 and 2004 respectively.

In August, an additional General Fund revenue shortfall of \$1.3 billion was forecast for the biennium. In October, the Governor approved General Fund spending reduction plans totaling \$725.1 million for FY 2003 and 2004. To soften the impact of the slowing economy, budget amendments proposing additional spending reductions will be introduced during the 2003 General Assembly session.

### Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of \$1.1 billion, an increase of \$100.0 million from the prior year. The increase was largely the result of increased federal revenues collected from the Federal Highway Administration resulting from an increased emphasis on federal participating construction projects and better federal funds management. Additionally, the Priority Transportation Fund did not incur any expenditures as management has chosen to utilize the proceeds of the Federal Highway Reimbursement Anticipation Notes as the first funding source for projects listed in the Virginia Transportation Act of 2000.

The Federal Trust Fund received \$248.6 million more in federal funds than the previous year. The majority of the increase is associated with programs at the Departments of Social Services, Medical Assistance Services, Education and other individual and family service agencies.

The Literary Fund ended the fiscal year with a fund balance of \$424.4 million, a decrease of \$85.7 million from the previous fiscal year. Revenues decreased by \$7.7 million, and expenditures and other uses increased by \$85.6 million primarily due to the payment of teacher retirement contributions of \$110 million and an increase in debt service payments of \$15.4 million. Additionally, the Literary Fund experienced a decline in loan disbursements of \$39.8 million.

### Capital Asset and Debt Administration

**Capital assets.** This is the first year that the Commonwealth will report depreciation on governmental activities' assets. The Commonwealth's investment in capital assets for its governmental and business type activities as of June 30, 2002, amounts to \$12.7 billion (net of accumulated depreciation totaling \$9.2 billion). This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. The beginning net assets infrastructure balance was \$5.5 billion. The total increase in the Commonwealth's investment in governmental capital assets was \$7.9 billion with \$6.3 billion attributable to infrastructure being reported for the first time.

Additional information on the Commonwealth's capital assets can be found in Note 9, "Property, Plant, Equipment, and Infrastructure."

Figure 27  
Capital Assets as of June 30, 2002  
(Net of Depreciation)  
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,198,544	\$ 1,726	\$ 1,200,270
Buildings	1,442,508	965	1,443,473
Equipment	410,101	38,854	448,955
Infrastructure	6,257,386	-	6,257,386
Construction in progress	3,068,660	310,842	3,379,502
Total	<u>\$ 12,377,199</u>	<u>\$ 352,387</u>	<u>\$ 12,729,586</u>

Note: Since the Commonwealth implemented GASB Statement No. 34, during FY 2002, prior year information is not available.

**Long-term debt.** The Commonwealth does not issue debt for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of \$17.4 billion. Total tax supported debt is \$4.9 billion and total debt not supported by taxes is \$12.5 billion. Total debt backed by the full faith and credit of the government is \$579.3 million and \$2.2 billion is considered moral obligation debt. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During FY 2002, the Commonwealth issued \$2.6 million of new debt for various projects. Additional information on the Commonwealth's outstanding debt can be found in Note 17, "Long-term Liabilities". Further, the Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., and Fitch, Inc.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which have been issued to redeem previous debt obligations, are limited to 30 percent of 1.15 times the annual tax revenues for FY 2002. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2000, 2001, and 2002. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2000, 2001, and 2002. The current debt limitation for the Commonwealth is \$3.3 billion, \$11.1 billion, and \$11.1 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. In November 2002, the citizens of the Commonwealth authorized a bond issuance of General Obligation Bonds in the amounts of \$900.5 million and \$119.0 million for capital projects at higher education institutions and state parks, respectively.

Figure 28  
**Outstanding Debt as of June 30, 2002**  
**General Obligation and Revenue Bonds**  
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
General obligation bonds			
9(A)	\$ -	\$ -	\$ -
9(B)	451,700	-	451,700
9(C)	504,059	-	504,059
Revenue bonds	-	418,850	418,850
Total	<u>\$ 955,759</u>	<u>\$ 418,850</u>	<u>\$ 1,374,609</u>

Note: Since the Commonwealth implemented GASB Statement No. 34, during FY 2002, prior year information is not available.

## Economic Factors and Outlook

Like the nation, the Virginia economy experienced a recession and remains in a weak recovery. Economic growth in Virginia was weaker than expected in fiscal year 2002, with employment and income growing well below forecasted growth rates. The predominance of the high-tech industry in Virginia, previously a stabilizing force and the primary driver of growth, adversely affected the state's economy in fiscal year 2002, as the meltdown in that industry trickled throughout the Commonwealth. The terrorist attacks of September 11 contributed to the downturn, especially in Northern Virginia, where tourism and business travel were particularly hard hit. Because of the substantial amount of uncertainty surrounding the Virginia economy, an interim economic and revenue forecasting process was undertaken this summer. Economic events that have occurred since the interim forecast prepared this summer support the path chosen by both the Governor's Advisory Board of Economists and the Governor's Advisory Council on Revenue Estimates. The outlook is for another year of negative employment growth in Virginia, followed by several years of modest growth. Virginia should experience income growth similar to that in the nation over the next few years, lower than that seen in 1990's, but well above the 3 percent rate of fiscal year 2002. For a more in-depth discussion on the Commonwealth's economy see "Virginia Economic Highlights" on page 17.

## Requests for Information

This financial report is designed to provide a general overview of the Commonwealth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller's Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218.

The Commonwealth's component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1B, "Summary of Significant Accounting Policies, The Reporting Entity."



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## Government-wide Financial Statements

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## Statement of Net Assets

June 30, 2002

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 1,887,291	\$ 993,666	\$ 2,880,957	\$ 944,517
Investments (Notes 1 and 4)	944,667	1,057,842	2,002,509	3,790,023
Receivables, Net (Notes 1 and 5)	1,456,989	375,636	1,832,625	2,352,802
Internal Balances (Note 1)	47,515	(47,515)	-	-
Due from Primary Government (Note 6)	-	-	-	3,172
Due from Component Units (Note 6)	-	-	-	28,355
Due from Fiduciary Funds (Note 6)	5,343	-	5,343	-
Inventory (Note 1)	110,626	32,746	143,372	43,081
Prepaid Items (Note 1)	3,579	2,144	5,723	44,379
Other Assets (Notes 1 and 7)	24,626	20,527	45,153	143,887
Loans Receivable from Primary Government (Notes 1 and 6)	-	-	-	151,195
Loans Receivable from Component Units (Notes 1 and 6)	440,539	-	440,539	-
Restricted Cash and Cash Equivalents (Note 8)	-	-	-	987,800
Restricted Investments (Note 8)	-	-	-	2,513,932
Other Restricted Assets (Note 8)	-	-	-	5,886,066
Nondepreciable Capital Assets (Notes 1 and 9)	4,267,204	312,568	4,579,772	1,081,231
Depreciable Capital Assets, Net (Notes 1 and 9)	8,109,995	39,819	8,149,814	4,147,880
Total Assets	17,298,374	2,787,433	20,085,807	22,118,320
Liabilities				
Accounts Payable (Note 1)	691,316	36,999	728,315	450,724
Amounts Due to Other Governments	337,274	4,237	341,511	65,278
Due to Component Units (Note 6)	3,172	-	3,172	28,355
Due to Fiduciary Funds (Note 6)	172	-	172	-
Deferred Revenue and Deferred Credit (Note 1)	89,544	4,622	94,166	186,285
Claims Payable (Notes 1 and 15)	257,936	25,764	283,700	-
Obligations Under Securities Lending Program (Notes 1 and 4)	230,313	139,734	370,047	27,761
Other Liabilities (Notes 1 and 16)	1,164,338	77,747	1,242,085	527,883
Loans Payable to Primary Government (Notes 1 and 6)	-	-	-	440,539
Loans Payable to Component Units (Notes 1 and 6)	151,195	-	151,195	-
Long-term Liabilities:				
Due Within One Year (Notes 1 and 17)	352,004	84,528	436,532	959,453
Due in More Than One Year (Notes 1 and 17)	3,569,760	1,598,289	5,168,049	10,793,291
Total Liabilities	6,847,024	1,971,920	8,818,944	13,479,566

The accompanying notes are an integral part of this financial statement.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	9,152,089	23,472	9,175,561	3,686,813
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	363,248
Permanent Funds	22,706	-	22,706	-
Expendable:				
Higher Education	-	-	-	1,374,871
Permanent Funds	1,890	-	1,890	-
Revenue Stabilization Fund	472,376	-	472,376	-
Loan Funds	424,394	-	424,394	-
Gifts and Grants	23,274	-	23,274	-
Unemployment Compensation	-	839,614	839,614	-
Capital Projects/Construction/Capital Acquisition	424,852	60,180	485,032	802,047
Debt Service	38,773	-	38,773	63,459
Bond Indenture	-	-	-	1,099,738
Unexpended Lottery Proceeds	25,221	-	25,221	-
Unrestricted	(134,225)	(107,753)	(241,978)	1,248,575
Total Net Assets	<u>\$ 10,451,350</u>	<u>\$ 815,513</u>	<u>\$ 11,266,863</u>	<u>\$ 8,638,751</u>

## Statement of Activities

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,602,712	\$ 182,579	\$ 30,541	\$ -
Education	6,405,822	291,738	363,429	639
Transportation	2,194,797	468,780	12,309	1,184,860
Resources and Economic Development	771,184	189,802	173,291	7
Individual and Family Services	6,919,239	1,165,556	3,382,284	53
Administration of Justice	2,323,021	373,931	36,063	2,875
Interest and Charges on Long Term Debt	224,112	-	-	-
Total Governmental Activities	20,440,887	2,672,386	3,997,917	1,188,434
Business-Type Activities:				
State Lottery	742,920	1,108,068	-	-
Virginia College Savings Plan	258,851	159,521	-	-
Pocahontas Parkway	25,022	80	-	-
Unemployment Insurance	656,332	158,257	276,585	-
Other	476,558	521,828	1,319	-
Total Business-Type Activities	2,159,683	1,947,754	277,904	-
Total Primary Government	\$ 22,600,570	\$ 4,620,140	\$ 4,275,821	\$ 1,188,434
Component Units				
Virginia Housing Development Authority	512,178	448,593	122,157	-
Virginia Public School Authority	123,790	117,874	-	-
Higher Education				
Major	3,350,156	1,960,949	631,277	10,194
Nonmajor	2,166,428	804,806	348,733	12,862
Other Nonmajor	469,122	326,960	4,300	71,588
Total Component Units	\$ 6,621,674	\$ 3,659,182	\$ 1,106,467	\$ 94,644
General Revenues:				
Taxes:				
Individual and Fiduciary Income				
Sales and Use				
Corporation Income				
Public Service Corporations				
Motor Fuel				
Motor Vehicle Sales and Use				
Premiums of Insurance Companies				
Other Taxes				
Operating Appropriations from Primary Government				
Unrestricted Grants and Contributions				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds				
Capital Appropriations				
Capital Gifts and Grants				
Transfers				
VCBA Payments to Schools				
Tobacco Master Settlement				
Other Financing Sources (Uses)				
Special Items				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets - July 1				
Net Assets - June 30				

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (1,389,592)	\$ -	\$ (1,389,592)	\$ -
(5,750,016)	-	(5,750,016)	-
(528,848)	-	(528,848)	-
(408,084)	-	(408,084)	-
(2,371,346)	-	(2,371,346)	-
(1,910,152)	-	(1,910,152)	-
(224,112)	-	(224,112)	-
(12,582,150)	-	(12,582,150)	-
-	365,148	365,148	-
-	(99,330)	(99,330)	-
-	(24,942)	(24,942)	-
-	(221,490)	(221,490)	-
-	46,589	46,589	-
-	65,975	65,975	-
<u>\$ (12,582,150)</u>	<u>\$ 65,975</u>	<u>\$ (12,516,175)</u>	<u>\$ -</u>
-	-	-	58,572
-	-	-	(5,916)
-	-	-	(747,736)
-	-	-	(1,000,027)
-	-	-	(66,274)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,761,381)</u>
6,713,858	-	6,713,858	-
2,658,482	-	2,658,482	-
240,147	-	240,147	-
82,079	-	82,079	-
854,340	-	854,340	-
526,121	-	526,121	-
293,323	-	293,323	-
602,252	2,821	605,073	-
-	-	-	1,580,684
60,392	-	60,392	50,336
200,445	14,740	215,185	103,627
164,389	1,758	166,147	14,537
-	-	-	61,328
-	-	-	125,062
-	-	-	38,011
424,174	(424,174)	-	-
-	-	-	22,431
-	-	-	89,768
-	-	-	(2,598)
-	-	-	(13,826)
12,820,002	(404,855)	12,415,147	2,069,360
237,852	(338,880)	(101,028)	307,979
10,213,498	1,154,393	11,367,891	8,330,772
<u>\$ 10,451,350</u>	<u>\$ 815,513</u>	<u>\$ 11,266,863</u>	<u>\$ 8,638,751</u>



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## Governmental Funds

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### General Fund

*The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.*

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### Special Revenue Funds

*Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.*

**The Commonwealth Transportation Fund** accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the Federal government.

**The Federal Trust Fund** accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

**The Literary Fund** accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

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**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects and Permanent Funds listed on page 163 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet - Governmental Funds

June 30, 2002

(Dollars in Thousands)

	Special Revenue			
	General	Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 11,283	\$ 1,039,497	\$ 70,037	\$ 96,792
Investments (Notes 1 and 4)	776,782	95,768	815	8,046
Receivables (Net) (Notes 1 and 5)	593,843	277,823	386,321	73,662
Due from Other Funds (Note 6)	29,562	22,050	5,430	-
Due from Fiduciary Funds (Note 6)	-	-	5,276	-
Interfund Receivable (Note 6)	-	-	-	-
Inventory (Note 1)	34,808	39,493	15,027	-
Prepaid Items (Note 1)	-	4	-	-
Other Assets (Notes 1 and 7)	2,776	1,321	2,199	-
Loans Receivable from Component Units (Notes 1 and 6)	-	-	-	418,405
Total Assets	\$ 1,449,054	\$ 1,475,956	\$ 485,105	\$ 596,905
Liabilities and Fund Balances				
Accounts Payable (Note 1)	\$ 237,285	\$ 235,381	\$ 86,950	\$ 149
Amounts Due to Other Governments	173,959	51,470	107,673	-
Due to Other Funds (Note 6)	32,999	41,416	9,558	-
Due to Component Units (Note 6)	-	2,076	-	-
Due to Fiduciary Funds (Note 6)	172	-	-	-
Interfund Payable (Note 6)	-	2,000	8,915	-
Deferred Revenue and Deferred Credit (Note 1)	650,285	10,042	57,724	12,325
Obligations Under Securities Lending Program (Notes 1 and 4)	123,971	68,741	896	8,842
Other Liabilities (Notes 1 and 16)	445,348	-	197,991	-
Loans Payable to Component Units (Notes 1 and 6)	-	-	-	151,195
Long-Term Liabilities (Notes 1, 14, and 17)	1,732	114	112	-
Total Liabilities	1,665,751	411,240	469,819	172,511
Fund Balances Reserved for (Note 1):				
Revenue Stabilization Fund	472,376	-	-	-
Unexpended Lottery Proceeds	25,221	-	-	-
Inventory	34,808	39,493	1,544	-
Prepaid Items	-	4	-	-
Debt Service	-	-	-	-
Donations	-	-	-	-
Capital Acquisition	-	1,076	-	-
Fund Balances Unreserved, Reported in (Note 1):				
General Funds	(749,102)	-	-	-
Special Revenue Funds	-	1,024,143	13,742	424,394
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	(216,697)	1,064,716	15,286	424,394
Total Liabilities and Fund Balances	\$ 1,449,054	\$ 1,475,956	\$ 485,105	\$ 596,905

The accompanying notes are an integral part of this financial statement.



<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 527,524	\$ 1,745,133
53,320	934,731
105,851	1,437,500
13,382	70,424
67	5,343
45,688	45,688
7,845	97,173
-	4
576	6,872
22,134	440,539
<b>\$ 776,387</b>	<b>\$ 4,783,407</b>
\$ 59,359	\$ 619,124
-	333,102
14,506	98,479
1,096	3,172
-	172
-	10,915
39,614	769,990
16,943	219,393
2,379	645,718
-	151,195
331	2,289
<b>134,228</b>	<b>2,853,549</b>
-	472,376
-	25,221
7,845	83,690
-	4
38,773	38,773
7,985	7,985
492	1,568
-	(749,102)
509,771	1,972,050
52,697	52,697
24,596	24,596
642,159	1,929,858
<b>\$ 776,387</b>	<b>\$ 4,783,407</b>

## Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide Statement of Net Assets

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June 30, 2002

(Dollars in Thousands)

**Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)**

\$ 1,929,858

When capital assets (land, buildings, equipment, improvements, CIP, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Commonwealth as a whole.

12,302,946

Long-term liabilities applicable to the Commonwealth's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

(3,910,693)

Internal service funds are used by the Commonwealth to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.

(51,966)

Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.

(39,934)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

221,139

**Net assets of governmental activities  
(See Government-wide Statement of Net Assets)**

\$ 10,451,350



# Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

	Special Revenue			
	General	Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	\$ 10,124,148	\$ 1,760,394	\$ -	\$ -
Rights and Privileges	34,492	411,635	45	543
Institutional Revenue	9,178	-	-	-
Interest, Dividends, Rents, and Other Investment Income (Note 1)	156,880	35,322	516	55,944
Federal Grants and Contracts	-	1,010,794	3,905,325	-
Other (Note 18)	251,227	113,422	49,951	140,236
Total Revenues	10,575,925	3,331,567	3,955,837	196,723
Expenditures				
Current:				
General Government	1,347,947	1,887	36,003	635
Education	5,506,523	2,133	361,784	171,824
Transportation	15,644	3,223,661	13,897	-
Resources and Economic Development	257,544	1,518	177,048	-
Individual and Family Services	2,590,318	-	3,321,733	-
Administration of Justice	1,974,472	5,983	40,921	-
Capital Outlay	116,979	15,394	1,441	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	11,809,427	3,250,576	3,952,827	172,459
Revenues Over (Under) Expenditures	(1,233,502)	80,991	3,010	24,264
Other Financing Sources (Uses)				
Operating Transfers In	837,693	136,779	5,932	9,199
Operating Transfers Out	(383,500)	(285,964)	(9,489)	(119,196)
Proceeds from Capital Leases	80	3,459	-	-
Proceeds from Sale of Bonds	-	164,742	-	-
Total Other Financing Sources (Uses)	454,273	19,016	(3,557)	(109,997)
Net Change in Fund Balances	(779,229)	100,007	(547)	(85,733)
Fund Balance, July 1, as restated (Note 26)	562,532	964,709	15,833	510,127
Fund Balance (Deficit), June 30 (Note 27)	\$ (216,697)	\$ 1,064,716	\$ 15,286	\$ 424,394

The accompanying notes are an integral part of this financial statement.

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Nonmajor Governmental Funds	Total Governmental Funds
\$ 111,465	\$ 11,996,007
176,162	622,877
434,971	444,149
15,692	264,354
-	4,916,119
1,003,309	1,558,145
1,741,599	19,801,651
96,644	1,483,116
144,414	6,186,678
15,324	3,268,526
284,996	721,106
951,828	6,863,879
135,327	2,156,703
121,533	255,347
155,862	155,862
166,136	166,136
2,072,064	21,257,353
(330,465)	(1,455,702)
552,466	1,542,069
(317,990)	(1,116,139)
25	3,564
35,583	200,325
270,084	629,819
(60,381)	(825,883)
702,540	2,755,741
\$ 642,159	\$ 1,929,858

# **Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

<b>Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)</b>	\$ (825,883)
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year.	1,181,213
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In current period, proceeds were received from Federal Reimbursement Anticipation Notes.	(200,325)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	174,538
Some liabilities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(131,782)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	102,407
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(29,121)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets (i.e., sales)	(2,946)
The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.	(33,972)
Accrued Interest	<u>3,723</u>
<b>Change in net assets of governmental activities (See Government-wide Statement of Activities)</b>	<u><u>\$ 237,852</u></u>

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## Proprietary Funds

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*The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.*

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### Major Enterprise Funds

**The State Lottery Department** accounts for all receipts and expenses from the operations of the State Lottery.

**The Virginia College Savings Plan** administers the Virginia Prepaid Education Program that locks in future college costs for minors from birth through the ninth grade. The fund accounts for the actuarially determined contributions and payments for approved expenses. In previous years, the Virginia Education Savings Trust has been reported as part of the Enterprise Fund. This plan is now reported as a Private-Purpose Trust Fund.

**The Pocahontas Parkway Association** accounts for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government).

**The Unemployment Compensation Fund** administers the temporary partial income replacement payments to unemployed covered workers. In previous years, this fund was reported as an expendable trust fund.

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**Nonmajor Enterprise Funds** include those operations of State agencies which are listed on page 177 in the Combining and Individual Fund Statements and Schedules section of this report.

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**Internal Service Funds** include those operations of State agencies which are listed on page 193 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Assets – Proprietary Funds

June 30, 2002

(Dollars in Thousands)

	Business-Type Activities Enterprise Funds				
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation	Nonmajor
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents (Notes 1 and 4)	\$ 10,336	\$ 41,712	\$ 11,251	\$ 837,455	\$ 92,912
Investments (Notes 1 and 4)	188,249	571	22,506	-	19,716
Receivables, Net (Notes 1 and 5)	36,195	1,882	1,445	37,567	16,570
Due From Other Funds (Note 6)	-	-	-	-	-
Inventory (Note 1)	3,545	-	-	-	29,201
Prepaid Items (Note 1)	1,296	-	26	-	712
Other Assets (Notes 1 and 7)	5	-	-	-	188
Total Current Assets	239,626	44,165	35,228	875,022	159,299
Noncurrent Assets:					
Investments (Notes 1 and 4)	392,543	398,952	35,305	-	-
Receivables, Net	-	281,977	-	-	-
Prepaid Items (Note 1)	-	-	-	-	110
Other Assets (Notes 1 and 7)	-	-	20,334	-	-
Nondepreciable Capital Assets (Notes 1 and 9)	-	-	310,842	-	1,726
Depreciable Capital Assets, Net (Notes 1 and 9)	20,850	212	-	-	18,757
Total Noncurrent Assets	413,393	681,141	366,481	-	20,593
Total Assets	653,019	725,306	401,709	875,022	179,892
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable (Note 1)	12,269	488	10,916	-	13,326
Amounts Due to Other Governments	-	-	-	4,237	-
Due to Other Funds (Note 6)	116	14	711	116	6,616
Interfund Payable (Note 6)	-	-	-	-	23,440
Deferred Revenue and Deferred Credit (Note 1)	2,834	-	-	-	1,788
Claims Payable (Notes 1 and 15)	-	-	-	-	25,764
Obligations Under Securities Lending Program (Notes 1 and 4)	131,149	627	-	-	7,958
Other Liabilities (Notes 1 and 16)	43,205	65	3,420	30,868	189
Long-Term Liabilities Due Within One Year (Notes 1, 14, and 17)	60,583	20,322	-	-	3,623
Total Current Liabilities	250,156	21,516	15,047	35,221	82,704
Noncurrent Liabilities:					
Interfund Payable (Note 6)	-	-	-	-	1,450
Claims Payable (Notes 1 and 15)	-	-	-	-	-
Other Liabilities (Notes 1 and 16)	-	-	15,715	-	-
Long-Term Liabilities Due in More Than One Year (Notes 1, 14, and 17)	404,252	761,793	418,961	-	13,283
Total Noncurrent Liabilities	404,252	761,793	434,676	-	14,733
Total Liabilities	654,408	783,309	449,723	35,221	97,437
<b>Net Assets</b>					
Invested in Capital Assets, Net of					
Related Debt	8,683	-	-	-	14,789
Restricted for Unemployment Insurance	-	-	-	839,614	-
Restricted for Construction by Bond Resolutions	-	-	59,993	-	-
Restricted for Capital Acquisition	-	-	-	187	-
Unrestricted	(10,072)	(58,003)	(108,007)	-	67,666
Total Net Assets	\$ (1,389)	\$ (58,003)	\$ (48,014)	\$ 839,801	\$ 82,455

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included in business-type activities.  
Net assets of business-type activities

The accompanying notes are an integral part of this financial statement.



	<b>Governmental Activities</b>	
	<b>Totals</b>	<b>Internal Service Funds</b>
\$	993,666	\$ 142,696
	231,042	9,936
	93,659	19,489
	-	35,869
	32,746	13,453
	2,034	2,735
	193	1,313
	<u>1,353,340</u>	<u>225,491</u>
	826,800	-
	281,977	-
	110	840
	20,334	-
	312,568	150
	<u>39,819</u>	<u>74,103</u>
	1,481,608	75,093
	<u>2,834,948</u>	<u>300,584</u>
	36,999	17,325
	4,237	4,172
	7,573	241
	23,440	1,098
	4,622	27,418
	25,764	142,717
	139,734	10,920
	77,747	1,251
	<u>84,528</u>	<u>5,278</u>
	404,644	210,420
	1,450	8,785
	-	115,219
	15,715	-
	1,598,289	17,463
	<u>1,615,454</u>	<u>141,467</u>
	2,020,098	351,887
	23,472	50,467
	839,614	-
	59,993	-
	187	-
	(108,416)	(101,770)
\$	<u>814,850</u>	<u>\$ (51,303)</u>

\$	663
\$	<u>815,513</u>

## Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virgina College Savings Plan	Pocahontas Parkway	Unemployment Compensation
<b>Operating Revenues:</b>				
Charges for Sales and Services	\$ 1,108,068	\$ 165,149	\$ 80	\$ 158,257
Interest, Dividends, Rents, and Other Investment Income (Note 1)	-	(5,628)	4,649	-
Other (Note 18)	-	-	550	-
Total Operating Revenues	1,108,068	159,521	5,279	158,257
<b>Operating Expenses:</b>				
Cost of Sales and Services	69,237	-	-	-
Prizes and Claims (Note 19)	604,534	-	-	656,332
Tuition Benefits Expense	-	252,886	-	-
Personal Services	19,330	2,306	-	-
Contractual Services	34,792	3,263	740	-
Supplies and Materials	2,226	60	-	-
Depreciation and Amortization (Note 20)	5,861	45	306	-
Rent, Insurance, and Other Related Charges	5,595	157	-	-
Interest Expense	-	-	23,976	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Other (Note 21)	265	147	-	-
Total Operating Expenses	741,840	258,864	25,022	656,332
Operating Income (Loss)	366,228	(99,343)	(19,743)	(498,075)
<b>Nonoperating Revenues (Expenses):</b>				
Interest, Dividends, Rents, and Other Investment Income (Note 1)	10,091	-	-	60,058
Other (Note 22)	210	-	-	216,527
Total Nonoperating Revenues (Expenses)	10,301	-	-	276,585
Income (Loss) Before Transfers	376,529	(99,343)	(19,743)	(221,490)
Operating Transfers In	-	-	-	-
Operating Transfers Out	(376,889)	(73)	-	(426)
Change in Net Assets	(360)	(99,416)	(19,743)	(221,916)
Total Net Assets, July 1, as restated (Note 26)	(1,029)	41,413	(28,271)	1,061,717
Total Net Assets (Deficit), June 30 (Note 27)	\$ (1,389)	\$ (58,003)	\$ (48,014)	\$ 839,801

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.  
Change in Net Assets of business-type activities

The accompanying notes are an integral part of this financial statement.

Nonmajor	Totals	Governmental Activities
		Internal Service Funds
\$ 512,635	\$ 1,944,189	\$ 807,591
-	(979)	-
8,134	8,684	27
520,769	1,951,894	807,618
236,499	305,736	55,604
100,069	1,360,935	586,579
-	252,886	-
71,853	93,489	43,328
21,520	60,315	103,507
2,757	5,043	6,148
5,216	11,428	16,540
15,294	21,046	25,977
-	23,976	454
20,754	20,754	-
2,946	3,358	4,124
476,908	2,158,966	842,261
43,861	(207,072)	(34,643)
5,199	75,348	6,983
(382)	216,355	(3,358)
4,817	291,703	3,625
48,678	84,631	(31,018)
103	103	477
(46,889)	(424,277)	(2,233)
1,892	(339,543)	(32,774)
80,563	1,154,393	(18,529)
\$ 82,455	\$ 814,850	\$ (51,303)

\$	663
\$	(338,880)

## Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Pocahontas Parkway	Unemployment Compensation
<b>Cash Flows from Operating Activities:</b>				
Receipts for Sales and Services	\$ 1,104,895	\$ 89,990	\$ 80	\$ 160,638
Receipts from Investments	-	-	6,002	-
Internal Activity-Receipts from Other Funds	-	-	-	1,084
Internal Activity-Payments to Other Funds	(1,725)	(381)	-	(2)
Payments to Suppliers for Goods and Services	(72,476)	(94)	-	-
Payments for Prizes, Claims, and Loss Control (Note 29)	(663,645)	-	-	(648,502)
Payments for Tuition Benefits	-	(2,028)	-	-
Payments to Employees	(19,227)	(2,124)	-	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Payments for Interest	-	-	(9,129)	-
Other Operating Revenue (Note 29)	-	-	-	-
Other Operating Expense (Note 29)	(34,791)	(2,790)	-	-
Net Cash Provided by (Used for) Operating Activities	313,031	82,573	(3,047)	(486,782)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In From Other Funds	-	-	-	-
Transfers Out to Other Funds	(376,447)	(73)	-	(426)
Other Noncapital Financing Receipt Activities (Note 29)	1,201	-	-	216,527
Other Noncapital Financing Disbursement Activities (Note 29)	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(375,246)	(73)	-	216,101
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Fixed Assets	(2,239)	(139)	(59,545)	-
Payment of Principal and Interest on Bonds and Notes	(2,572)	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Other Capital and Related Financing Receipt Activities (Note 29)	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(4,811)	(139)	(59,545)	-
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	(13,348)	(1,266,158)	(81,002)	-
Proceeds from Sales or Maturities of Investments	57,653	1,098,696	144,125	-
Investment Income on Cash, Cash Equivalents, and Investments	9,643	18,178	-	60,058
Net Cash Provided by (Used for) Investing Activities	53,948	(149,284)	63,123	60,058
Net Increase (Decrease) in Cash and Cash Equivalents	(13,078)	(66,923)	531	(210,623)
<b>Cash and Cash Equivalents, July 1, as restated (Note 26)</b>	<b>23,419</b>	<b>108,635</b>	<b>10,720</b>	<b>1,048,078</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 10,341</b>	<b>\$ 41,712</b>	<b>\$ 11,251</b>	<b>\$ 837,455</b>
<b>Reconciliation of Cash and Cash Equivalents:</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 10,336	\$ 41,712	\$ 11,251	\$ 837,455
Cash and Travel Advances	5	-	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	\$ 10,341	\$ 41,712	\$ 11,251	\$ 837,455

The accompanying notes are an integral part of this financial statement.

		Governmental Activities	
Nonmajor	Totals	Internal Service Funds	
\$ 504,199	\$ 1,859,802	\$ 115,282	
-	6,002	-	
3,828	4,912	689,854	
(908)	(3,016)	(4,454)	
(255,267)	(327,837)	(100,444)	
(98,370)	(1,410,517)	(574,912)	
-	(2,028)	-	
(69,751)	(91,102)	(40,015)	
(20,276)	(20,276)	-	
-	(9,129)	-	
7,229	7,229	1	
(21,032)	(58,613)	(108,448)	
49,652	(44,573)	(23,136)	
103	103	477	
(145,145)	(522,091)	(2,225)	
103,359	321,087	231	
-	-	(214)	
(41,683)	(200,901)	(1,731)	
(8,836)	(70,759)	(17,401)	
-	(2,572)	(5,397)	
-	-	1,894	
-	-	1	
(8,836)	(73,331)	(20,903)	
(4,596)	(1,365,104)	-	
3,631	1,304,105	-	
5,428	93,307	7,641	
4,463	32,308	7,641	
3,596	(286,497)	(38,129)	
89,504	1,280,356	182,138	
\$ 93,100	\$ 993,859	\$ 144,009	
\$ 92,912	\$ 993,666	\$ 142,696	
188	193	1,313	
\$ 93,100	\$ 993,859	\$ 144,009	

Continued on next page

**Statement of Cash Flows – Proprietary Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Business-Type Activities Enterprise Funds			
	State Lottery	Virgina College Savings Plan	Pocahontas Parkway	Unemployment Compensation
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 366,228	\$ (99,343)	\$ (19,743)	\$ (498,075)
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation and Amortization	5,861	45	306	-
Interest on Bonds and Notes	-	-	12,947	-
Interest, Dividends, Rents, and Other Investment Income	(32,356)	6,069	1,277	-
Miscellaneous Nonoperating Income	-	1,674	-	-
Other Expenses	-	-	-	-
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(3,605)	(76,981)	(285)	1,958
(Increase) Decrease in Due From Other Funds	-	-	-	-
(Increase) Decrease in Inventory	(448)	-	-	-
(Increase) Decrease in Prepaid Items	188	-	-	-
Increase (Decrease) in Accounts Payable	3,073	165	443	-
Increase (Decrease) in Amounts Due to Other Governments	-	-	-	(796)
Increase (Decrease) in Claims Payable	-	-	-	1
Increase (Decrease) in Due to Other Funds	-	-	-	24
Increase (Decrease) in Interfund Payable	-	-	-	-
Increase (Decrease) in Deferred Revenue	433	-	-	-
Increase (Decrease) in Other Liabilities	(14,807)	(24)	1,712	10,106
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	774	22	267	-
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	(12,310)	250,946	29	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 313,031</u>	<u>\$ 82,573</u>	<u>\$ (3,047)</u>	<u>\$ (486,782)</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	\$ 2,850	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	(24,247)	(1,277)	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 2,850</u>	<u>\$ (24,247)</u>	<u>\$ (1,277)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

		Governmental Activities
Nonmajor	Totals	Internal Service Funds
\$ 43,861	\$ (207,072)	\$ (34,643)
5,216	11,428	16,540
-	12,947	-
-	(25,010)	-
21	1,695	1
(125)	(125)	-
(2,299)	(81,212)	(9,502)
-	-	400
(2,131)	(2,579)	1,378
1,870	2,058	(723)
1,840	5,521	(13,619)
-	(796)	2,152
2,171	2,172	3,457
41	65	-
-	-	1,098
(3,160)	(2,727)	8,253
51	(2,962)	1,251
(148)	915	33
2,444	241,109	788
<u>\$ 49,652</u>	<u>\$ (44,573)</u>	<u>\$ (23,136)</u>
\$ 4,619	\$ 7,469	\$ 12,534
245	(25,279)	-
-	-	(59)
<u>\$ 4,864</u>	<u>\$ (17,810)</u>	<u>\$ 12,475</u>





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## Fiduciary Funds

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### Private Purpose Funds

*Private Purpose Trust Funds reflect trust arrangements that allow third parties to utilize both the principal and interest.*

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### Pension Trust Funds

*Pension Trust Funds reflect the activities of the retirement systems and other employment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.*

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### Investment Trust Funds

*Investment Trust Funds reflect the external portions of the investment pools sponsored by the Commonwealth.*

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### Agency Funds

*Agency Funds report those funds for which the State acts solely in a custodial capacity.*

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Combining financial statements for all Fiduciary Funds are located on pages 202-224 in the Combining and Individual Fund Statements and Schedules section of this report.

# Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2002

(Dollars in Thousands)

	Private Purpose Trust Funds	Pension Trust Funds	Investment Trust Funds	Agency Funds
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 16,947	\$ 102,426	\$ 1,495,389	\$ 186,677
Investments (Notes 1 and 4)				
Bonds and Mortgage Securities	4	9,707,855	9,725	-
Stocks	46,669	8,178,657	-	-
Fixed Income Commingled Funds	-	297,956	-	-
Index and Pooled Funds	39,142	12,524,416	-	-
Real Estate	-	1,211,414	-	-
Venture Capital	-	2,191,040	-	-
Short-term Investments	1,079,189	864,627	1,928,293	368,829
Other	38,457	2,766,173	4,625	2,107
Total Investments	1,203,461	37,742,138	1,942,643	370,936
Receivables (Notes 1 and 5)				
Accounts	-	-	-	39,279
Contributions	-	93,142	-	-
Interest and Dividends	180	125,680	6,242	-
Receivable for Security Transactions	-	1,448,118	-	-
Other Receivables	360	273,546	-	-
Total Receivables	540	1,940,486	6,242	39,279
Due from Other Funds (Note 6)	-	-	-	172
Due from Fiduciary Funds (Note 6)	-	10,808	-	1,852
Other Assets (Notes 1 and 7)	10	-	34	-
Furniture and Equipment (Note 1)	-	6,447	-	-
Total Assets	1,220,958	39,802,305	3,444,308	598,916
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	436	293,681	-	3,177
Amounts Due to Other Governments	-	-	-	181,788
Due to Other Funds (Note 6)	-	-	-	5,343
Due to Fiduciary Funds (Note 6)	-	12,660	-	-
Obligations Under Securities Lending Program (Notes 1 and 4)	1,121	2,766,009	-	694
Other Liabilities (Notes 1 and 16)	73	929	1,512	404,864
Retirement Benefits Payable	-	133,383	-	-
Refunds Payable	-	7,345	-	-
Compensated Absences Payable (Notes 1 and 14)	90	1,121	-	-
Insurance Premiums and Claims Payable	13,574	29,678	-	3,050
Payable for Security Transactions	-	2,126,901	-	-
Pension Liability	42	868	-	-
Total Liabilities	15,336	5,372,575	1,512	598,916
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes	\$ 1,205,622	\$ 34,429,730	\$ 3,442,796	\$ -

The accompanying notes are an integral part of this financial statement.

## Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension Trust Funds	Investment Trust Funds
<b>Additions:</b>			
Investment Income:			
Interest, Dividends, and Other Investment Income	\$ 10,583	\$ (2,671,963)	\$ 70,910
Distributions to Shareholders from Net Investment Income	-	-	(68,206)
Total Investment Income	10,583	(2,671,963)	2,704
Less Investment Expenses	1,045	162,591	-
Net Investment Income	9,538	(2,834,554)	2,704
Proceeds from Unclaimed Property	36,988	-	-
Contributions:			
Participants	1,106,263	-	-
Member	-	664,218	-
Employer	-	562,916	-
Total Contributions	1,106,263	1,227,134	-
Shares Sold	-	-	4,669,005
Reinvested Distributions	-	-	68,427
Other Revenue (Note 18)	996	286	-
Total Additions	1,153,785	(1,607,134)	4,740,136
<b>Deductions:</b>			
General Government	38,907	-	-
Education	1	-	-
Resources and Economic Development	106	-	-
Tuition Benefits	12,227	-	-
Retirement Benefits	-	1,438,359	-
Refunds to Former Members	-	73,451	-
Retiree Health Insurance Credits	-	57,590	-
Insurance Premiums and Claims	-	95,625	-
Administrative Expenses	707	16,963	-
Other Expenses	-	2,647	-
Shares Redeemed	9,732	-	4,331,970
Long Term Disability Benefits	-	11,578	-
Total Deductions	61,680	1,696,213	4,331,970
<b>Transfers:</b>			
Operating Transfers In	-	1,313	-
Operating Transfers Out	-	(1,313)	-
Total Transfers	-	-	-
Net Increase (Decrease)	1,092,105	(3,303,347)	408,166
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
<b>July 1, as restated (Note 26)</b>	113,517	37,733,077	3,034,630
<b>June 30</b>	<u>\$ 1,205,622</u>	<u>\$ 34,429,730</u>	<u>\$ 3,442,796</u>

The accompanying notes are an integral part of this financial statement.



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## Component Units

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*Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete Component Unit serves or benefits those outside of the primary government.*

**The Virginia Housing Development Authority** provides investment in and stimulates construction of low to moderate income housing for the citizens of the Commonwealth.

**The Virginia Public School Authority** provides financing for capital construction of primary and secondary schools to cities and counties.

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**The Higher Education Institutions** account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals. Higher education institutions included in this section are:

University of Virginia, including the University of Virginia College at Wise (formerly reported as Clinch Valley College), and the University of Virginia Hospital  
Virginia Polytechnic Institute and State University  
Virginia Commonwealth University, including the Virginia Commonwealth University Health Systems Authority (formerly reported as Medical College of Virginia Hospitals Authority)

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**Nonmajor Component Units** include those listed on page 225 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Assets – Component Units

June 30, 2002

(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute and State University
<b>Assets</b>				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 76,399	\$ -	\$ 158,895	\$ 54,943
Investments (Notes 1 and 4)	255,984	2,044,740	903,880	40,005
Receivables, Net (Notes 1 and 5)	120,452	440,535	213,444	5,921
Due From Primary Government (Note 6)	-	-	-	-
Due from Component Units (Note 6)	-	-	-	6,534
Inventory (Note 1)	52	-	13,245	7,754
Prepaid Items (Note 1)	-	-	6,940	10,965
Other Assets (Notes 1 and 7)	4,884	2,434	2,710	356
Loans Receivable from Primary Government (Notes 1 and 6)	-	151,195	-	-
Restricted Cash and Cash Equivalents (Note 8)	737,762	15,678	76,490	44,712
Restricted Investments (Note 8)	828,437	150,145	1,331,666	50,979
Other Restricted Assets (Note 8)	5,789,802	-	-	41,831
Nondepreciable Capital Assets (Notes 1 and 9)	1,945	-	146,064	49,803
Depreciable Capital Assets, Net (Notes 1 and 9)	14,140	-	1,052,007	449,104
<b>Total Assets</b>	<b>7,829,857</b>	<b>2,804,727</b>	<b>3,905,341</b>	<b>762,907</b>
<b>Liabilities</b>				
Accounts Payable (Note 1)	27,151	14	123,151	68,890
Amounts Due to Other Governments	-	65,278	-	-
Due to Component Units (Note 6)	-	-	-	-
Deferred Revenue and Deferred Credit (Note 1)	-	-	57,690	30,958
Obligations Under Securities Lending Program (Notes 1 and 4)	-	-	3,853	892
Other Liabilities (Notes 1 and 16)	107,298	53,666	146,184	28,154
Loans Payable to Primary Government (Notes 1 and 6)	-	418,405	-	-
Long-Term Liabilities (Notes 1, 14, and 17):				
Due Within One Year	467,688	180,361	53,151	25,436
Due in More Than One Year	5,883,710	2,061,319	351,754	189,196
<b>Total Liabilities</b>	<b>6,485,847</b>	<b>2,779,043</b>	<b>735,783</b>	<b>343,526</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	(1,938)	-	868,783	344,070
Restricted For:				
Nonexpendable:				
Higher Education	-	-	282,440	375
Expendable:				
Higher Education	-	-	1,169,314	65,394
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	24,209	-	-
Bond Indenture	1,099,302	-	-	-
Unrestricted	246,646	1,475	849,021	9,542
<b>Total Net Assets</b>	<b>\$ 1,344,010</b>	<b>\$ 25,684</b>	<b>\$ 3,169,558</b>	<b>\$ 419,381</b>

The accompanying notes are an integral part of this financial statement.

Virginia Commonwealth University	Nonmajor Component Units	Totals
\$ 107,709	\$ 546,571	\$ 944,517
100,804	444,610	3,790,023
158,245	1,414,205	2,352,802
-	3,172	3,172
5,998	15,823	28,355
6,175	15,855	43,081
4,110	22,364	44,379
123,254	10,249	143,887
-	-	151,195
22	113,136	987,800
-	152,705	2,513,932
28,210	26,223	5,886,066
72,993	810,426	1,081,231
542,678	2,089,951	4,147,880
1,150,198	5,665,290	22,118,320
65,458	166,060	450,724
-	-	65,278
-	28,355	28,355
23,370	74,267	186,285
707	22,309	27,761
88,297	104,284	527,883
13,863	8,271	440,539
50,315	182,502	959,453
263,995	2,043,317	10,793,291
506,005	2,629,365	13,479,569
420,217	2,055,681	3,686,813
19,061	61,372	363,248
20,396	119,767	1,374,871
-	802,047	802,047
-	39,250	63,459
-	436	1,099,738
184,519	(42,628)	1,248,575
\$ 644,193	\$ 3,035,925	\$ 8,638,751

**Statement of Activities – Component Units**

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Virginia Housing Development Authority	\$ 512,178	\$ 448,593	\$ 122,157	\$ -
Virginia Public School Authority	123,790	117,874	-	-
Higher Education				
University of Virginia	1,453,934	866,013	337,205	-
Virginia Polytechnic Institute & State University	702,027	242,195	141,703	6,289
Virginia Commonwealth University	1,194,195	852,741	152,369	3,905
Total Higher Education	<u>3,350,156</u>	<u>1,960,949</u>	<u>631,277</u>	<u>10,194</u>
Nonmajor Component Units				
Other	469,122	326,960	4,300	71,588
Higher Education	<u>2,166,428</u>	<u>804,806</u>	<u>348,733</u>	<u>12,862</u>
Total Nonmajor Component Units	<u>2,635,550</u>	<u>1,131,766</u>	<u>353,033</u>	<u>84,450</u>
Total Component Units	<u>\$ 6,621,674</u>	<u>\$ 3,659,182</u>	<u>\$ 1,106,467</u>	<u>\$ 94,644</u>

The accompanying notes are an integral part of this financial statement.



General Revenues					
Net (Expenses) Revenue	Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Contributions to Permanent Funds
\$ 58,572	\$ -	\$ -	\$ 58,011	\$ 500	\$ -
(5,916)	-	-	5,646	-	-
(250,716)	153,325	-	20,269	(1,496)	63,701
(311,840)	250,500	41,088	327	128	-
(185,180)	181,768	-	457	1,391	12
(747,736)	585,593	41,088	21,053	23	63,713
(66,274)	71,032	2	9,832	177	-
(1,000,027)	924,059	9,246	9,085	13,837	(2,385)
(1,066,301)	995,091	9,248	18,917	14,014	(2,385)
\$ (1,761,381)	\$ 1,580,684	\$ 50,336	\$ 103,627	\$ 14,537	\$ 61,328

Continued on next page

**Statement of Activities – Component Units** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

	<b>General Revenues (continued)</b>		
	<b>Capital Appropriations</b>	<b>Capital Gifts and Grants</b>	<b>VCBA Payments to Schools</b>
Virginia Housing Development Authority	\$ -	\$ -	\$ -
Virginia Public School Authority	-	-	-
Higher Education			
University of Virginia	36,846	11,509	1,310
Virginia Polytechnic Institute & State University	9,978	6,997	2,195
Virginia Commonwealth University	9,811	4,990	1,296
Total Higher Education	56,635	23,496	4,801
Nonmajor Component Units			
Other	115	-	-
Higher Education	68,312	14,515	17,630
Total Nonmajor Component Units	68,427	14,515	17,630
Total Component Units	\$ 125,062	\$ 38,011	\$ 22,431

The accompanying notes are an integral part of this financial statement.

General Revenues (continued)				Net Assets July 1 as restated (Note 26)	Net Assets June 30
Tobacco Master Settlement	Other Financing Sources (Uses)	Special Items	Changes in Net Assets		
\$ -	\$ -	\$ -	\$ 117,083	\$ 1,226,927	\$ 1,344,010
-	-	-	(270)	25,954	25,684
			-		
-	(1,032)	(4,845)	28,871	3,140,687	3,169,558
-	652	-	25	419,356	419,381
-	681	-	15,226	628,967	644,193
-	301	(4,845)	44,122	4,189,010	4,233,132
89,768	(2,718)	-	101,934	1,476,106	1,578,040
-	(181)	(8,981)	45,110	1,412,775	1,457,885
89,768	(2,899)	(8,981)	147,044	2,888,881	3,035,925
<u>\$ 89,768</u>	<u>\$ (2,598)</u>	<u>\$ (13,826)</u>	<u>\$ 307,979</u>	<u>\$ 8,330,772</u>	<u>\$ 8,638,751</u>



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# Notes to the Financial Statements

June 30, 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

### B. Reporting Entity

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included.

Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth of Virginia (the "Commonwealth") for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body and (1) the Commonwealth's ability to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

- (1) **Primary Government** – A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, and departments are, for financial reporting purposes, part of the primary government.
- (2) **Blended Component Units** – Though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. Blended component units are:

**Pocahontas Parkway Association** (Major Enterprise Fund) – The Association, a private, non-stock, nonprofit corporation was created to develop, construct, and provide financing for the Route 895 Connector Project. The Association is a blended component unit of the Department of Transportation (Primary Government) because it is fiscally dependent on the primary government and provides services entirely to the benefit of the Commonwealth. Ernst & Young, LLP audited the Association, and a separate report is available from the Association, Post Office Box 1320, Richmond, Virginia 23218.

**Virginia Historic Preservation Foundation** (Nonmajor Special Revenue Fund) – The Foundation was created as a body politic and corporate to serve the Department of Historic Resources (Primary Government) by acquiring and holding properties of historical significance. The Governor appoints the seven-member Board, and the primary government is able to impose its will on the Foundation. The Director of the Department of Historic Resources is the Executive Director and controls all administrative duties of the Foundation. A trust agreement between the Board of Trustees of the Foundation, the Department of Historic Resources and the Association for the Preservation of Virginia Antiquities was made as of July 1, 1999. According to the trust agreement, the Foundation transferred the assets to the Association, until January 1, 2003, at which time the agreement may be terminated. The Association's activity is not reported in the accompanying financial statements. The administrative offices of the Foundation are located at 10 Courthouse Avenue, Petersburg, Virginia 23803. The Auditor of Public Accounts audits the Foundation as part of the Department of Historic Resources and discloses its existence in that report.

**Virginia State Parks Foundation** (Nonmajor Special Revenue Fund) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) in the duties and responsibilities described in Subtitle I of Title 10.1 of the *Code of Virginia*. The Governor appoints the seven-member Board, and the primary government is able to impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 402, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

**Virginia Public Building Authority (VPBA)** (Nonmajor Governmental Funds) – The Authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the Authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the seven-member Board, and the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audited the Authority, and a separate report is available from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

**Virginia Land Conservation Foundation (VLCF)** (Nonmajor Special Revenue Fund) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 18-member Board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 402, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

**Virginia Arts Foundation** (Nonmajor Permanent Fund) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (Primary Government) by promoting the arts in the Commonwealth. The Governor appoints the Board of Trustees, and the Director of the Virginia Commission for the Arts serves as the Board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 223 Governor Street, Richmond, VA 23219. The Auditor of Public Accounts audits the foundation as part of the Virginia Commission for the Arts.

- (3) **Discrete Component Units** – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside of the primary government. Discretely presented component units are:

**Higher Education Institutions** – The Commonwealth's higher education institutions are granted broad corporate powers by State statutes. The Governor appoints the members of each institution's Board of Trustees. In addition to the annual appropriations to support the institutions' operations, the State provides funding for, and construction of, major academic plant facilities for the institutions. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the State. The major Higher Education Institutions are: University of Virginia, including the University of Virginia Hospital and the University of Virginia's College at Wise (formerly reported as Clinch Valley College); Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority (formerly reported as MCV Health Systems Authority). The nonmajor Higher Education Institutions are: the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; Mary Washington College; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center and the Roanoke Higher Education Authority are also included as nonmajor higher education institutions. The colleges and universities are funded through State appropriations, tuition, Federal grants, and private donations and grants. With the exception of the Virginia Commonwealth University Health System Authority, which is audited by Ernst & Young, LLP, the Auditor of Public Accounts audited the colleges and universities, and individual reports are issued under separate cover.

Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Virginia Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219.

**Virginia Housing Development Authority (VHDA)** (Major) – The Authority was created as a political subdivision and instrumentality of the Commonwealth and is granted both political and corporate powers by the *Code of Virginia*. The Governor appoints a majority of the Authority's Board members. The Commonwealth may make grants to the Authority including, but not limited to, reserve funds, which is a potential financial benefit/burden to the primary government. The State is not obligated by the debt of the

Authority. The Authority was created in the public interest to provide investment in and stimulate construction of low–moderate income housing which benefits the citizens of the Commonwealth. The administrative offices of the Authority are located at 601 South Belvidere Street, Richmond, Virginia 23220. KPMG, LLP audited the Authority, and a separate report is available.

**Virginia Public School Authority (VPSA)** (Major) – The Authority was created as a public body corporate, and an agency and instrumentality of the Commonwealth to finance capital projects of city and county school boards. The Governor appoints the Board members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. Additionally, the Authority receives Literary Fund notes transferred from the State to secure bonds issued by the Authority. The Auditor of Public Accounts audited the Authority, and a separate report is available from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

**Virginia Economic Development Partnership (VEDP)** (Nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15 Board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audited the Partnership, and a separate report is available.

**Virginia Outdoors Foundation** (Nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (Primary Government) by promoting preservation and raising funds for the purchase of preservation land. The Governor appoints the seven-member Board, and the primary government can impose its will on the Foundation. The Foundation is reported as a Discrete Governmental Component Unit because it uses a GAAP reporting model other than the governmental model. The administrative offices of the Foundation are located at 302 Royal Lane, Blacksburg, Virginia 24060. The Auditor of Public Accounts audited the Foundation, and a separate report is available.

**Virginia Port Authority (VPA)** (Nonmajor) – The Authority was established as a corporate body and operates to serve the citizens and promote commerce. The Governor appoints 11 of the 12 Board members, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The

administrative offices of the Authority are located at 600 World Trade Center, Norfolk, Virginia 23510. The Auditor of Public Accounts audited the Authority, and a separate report is available.

**Virginia Resources Authority (VRA)** (Nonmajor) – The Authority was created as a public body corporate, and operates as a political subdivision of the Commonwealth to provide financing for the construction of local water supply, wastewater treatment, airport, public safety, and professional sports facilities and brownfields remediation. The Governor appoints a majority of the 10-member Board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 707 East Main Street, Suite 1350, Richmond, Virginia 23219. KPMG, LLP audited the Authority, and a separate report is available.

**Virginia Tourism Authority** (Nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Nineteenth Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audited the Authority, and a separate report is available.

**Virginia Tobacco Settlement Foundation** (Nonmajor) – The Foundation was created as a body corporate and as a political subdivision of the Commonwealth. The Foundation was established to determine the appropriate recipients of moneys in the Virginia Tobacco Settlement Fund and to distribute moneys in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Fifth Floor, Richmond, Virginia, 23219. The Auditor of Public Accounts audited the Authority, and a separate report is available.

**Tobacco Indemnification and Community Revitalization Commission** (Nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the moneys in the Tobacco



Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, lost tobacco production opportunities, and to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audited the Commission, and a separate report is available.

**Hampton Roads Sanitation District Commission** (Nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing Board of the District, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the District and operates a sewage system for 13 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is Post Office Box 5911, Virginia Beach, Virginia 23471. KPMG, LLP, audited the Commission, and a separate report is available.

**Virginia Biotechnology Research Park Authority** (Nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the development of a biotechnology research park. The Governor and General Assembly appoint the Board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts audited the Authority, and a separate report is available.

**Small Business Financing Authority (SBFA)** (Nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 10 Board members, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other

assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. Also, the Authority guarantees loans made to small businesses by banks. As of June 30, 2002, the Authority had outstanding loan guarantees totaling \$1,234,676 and had set aside \$1,400,000 of its total net assets of \$1,696,121 in a guaranty reserve fund to support these guarantees. The administrative offices of the Authority are located at 707 East Main Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audited the Authority, and a separate report is available.

**Virginia Schools for the Deaf and Blind Foundation** (Nonmajor) – The Foundation operates as a non-private educational and fund raising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind at Staunton (Primary Government) and the Virginia School for the Deaf, Blind and Multi-Disabled at Hampton (Primary Government), and within the jurisdiction and management of the Virginia Board of Education. The Foundation is reported as a Discrete Governmental Component Unit because it uses a cash basis reporting model other than the governmental reporting model. The Foundation uses a December 31 calendar year end. The administrative offices of the Foundation are located at the Virginia Department of Education, 101 North 14th Street, Richmond, Virginia, 23219. The Auditor of Public Accounts audited the Foundation along with the audit of the Department of Education, and a separate report is available.

**A. L. Philpott Manufacturing Extension Partnership** (Nonmajor) – The Partnership has the mission to foster regional economic prosperity by helping small to mid-sized manufacturers recognize and achieve their full market potential. The Partnership provides regional manufacturing firms with technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 17-member Board of Trustees. The Board consists of the presidents of two public four-year institutions of higher education and one private four-year institution of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and nine citizen members appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at Patrick Henry Community College, 645 Patriot Avenue, P. O. Box 5311, Martinsville, Virginia 24115. The Auditor of

Public Accounts audited the Partnership, and a separate report is available.

**Virginia Equine Center Foundation** (Nonmajor) – The Foundation was created as a body politic and corporate, and operates the Equine Center for the benefit of the equine industry. In 1994, the Commonwealth began making grant payments to the Equine Center Foundation to keep the Center from falling into default on its debt. The Governor appoints 10 of the 11 Board members, and there is a financial benefit/burden to the primary government. The address for the administrative offices of the Foundation is Post Office Box 1051, Lexington, Virginia 24450. The accounting firm of William White, Sr., CPA audited the Foundation, and a separate report is available.

**Certified Nursing Facility Education Initiative** (Nonmajor) – The Initiative was created as a nonprofit corporation by the *Code of Virginia* to assist the Department of Medical Assistance Services. The Initiative provides early on-site training and assistance to certified nursing facilities to improve quality of care and life to certified nursing facility residents. The Initiative is reported as a Discrete Governmental Component Unit because it uses an accrual basis reporting model other than the governmental reporting model. The administrative offices of the Initiative are located at Post Office Box 465, Orange, Virginia 22960. Walker Healthcare Services Group audited the Initiative, and a separate report is available.

**Innovative Technology Authority (ITA)** (Nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the State's institutions of higher education and private industry in the Commonwealth. The Governor appoints 12 of the 15 Board members, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a nonstock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2114 Rock Hill Road, Herndon, Virginia 22070. The Auditor of Public Accounts audited the Authority, and a separate report is available.

**Virginia College Building Authority (VCBA)** (Nonmajor) – The Authority was created as a public body corporate, a political subdivision, and an agency and instrumentality of the Commonwealth. The Governor appoints a majority of the Board and members serve at

his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Authority finances certain capital projects and equipment purchases of State-supported colleges and universities. The Auditor of Public Accounts audited the Authority, and a separate report is available from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the Commonwealth nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling \$368.9 million, is not included in the financial statements.

- (4) **Related Organizations** – Organizations for which a primary government is accountable because that government appoints a majority of the Board, but is not financially accountable, are related organizations. Related organizations are:

**Virginia Recreational Facilities Authority** – The Authority was created as a political subdivision and instrumentality of the Commonwealth and given separate corporate powers by the *Code of Virginia*. The Governor appoints the 13 Board members. The Authority operates educational programs, tourism, and commerce in the Roanoke Valley. The address for the administrative offices of the Authority is 3900 Rutrough Road, Post Office Box 8508, Roanoke, Virginia 24014. Foti, Flynn, Lowen and Company audited the Authority, and a separate report is available.

**Allegheny-Highlands Economic Development Authority** – The Authority was created as a body corporate and politic, and as a political subdivision of the Commonwealth by the General Assembly. The Governor appoints a majority of the seven-member Board. The Authority was created for the benefit of the citizens of the Commonwealth, particularly those in Allegheny County, Clifton Forge, and Covington, by improving commerce, health and welfare. The address for the administrative offices of the Authority is 450 Main Street Suite 201, Post Office Box 29, Covington, Virginia 24426.

In April 2001, the Authority defaulted on its debt, and in August 2001, the Authority filed for bankruptcy under Chapter 9.

**Miller School of Albemarle** – The School was created as an educational institution of the Commonwealth and a corporation to provide a quality education. The Governor appoints a majority of the nine-member Board. The administrative offices of the School are located at 1000 Samuel Miller Loop, Charlottesville, Virginia 22903. Joseph J. Saunders, III, CPA, Inc. audited the School, and a separate report is available.

**Jamestown-Yorktown Educational Trust** – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Foundation's Board of Trustees controls the Trust. Several Commonwealth officials serve as ex-officio members of the Board, and the Governor appoints twelve members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café, oversees investing and fund raising activities, purchases artifacts, and sponsors events. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Goodman and Company, LLP audited the Trust, and a separate report is available.

**Virginia Birth-Related Neurological Injury Compensation Program** – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the seven-member Board. The administrative offices of the Program are located at 9100 Arboretum Parkway Suite 365, Richmond, Virginia 23236. Goodman and Company, LLP audited the Program, and a separate report is available.

**Chesapeake Bay Bridge and Tunnel Commission** – The Commission was created to establish policy and administer operations of the Chesapeake Bay Bridge Tunnel District. Any of the eleven members of the Commission appointed or reappointed on or after July 1, 1998, shall be appointed by the Governor, subject to confirmation by each house of the General Assembly. The administrative offices of the Commission are located at Post Office Box 111, 32386 Lankford Highway, Cape Charles, Virginia 23310. KPMG, LLP, audited the Commission and a separate report is available.

**Virginia Information Providers Network Authority** – The Authority was created as a political subdivision of the Commonwealth to provide for the centralized marketing, provision, leasing or executing of license agreements for access on-line or in volume. The Governor appoints the 11-member board of directors. The administrative offices of the Authority are located at 110 South 7th Street Suite 135, Richmond, Virginia 23219. The Auditor of Public Accounts audited the Authority and a separate report is available.

## **C. Government-wide and Fund Financial Statements**

The government-wide financial statements, the Statement of Net Assets and the Statement of Activities, report information on all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Also, the primary government activity is reported separately from the legally separate component units for which the Commonwealth is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

Net assets are restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. Designations solely imposed by the Commonwealth's management are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. However, fiduciary funds are not included in the government-wide statements. Major governmental funds, enterprise funds, and component units are reported as separate columns in the fund financial statements, with nonmajor funds being aggregated into a single column.

## **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commonwealth considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include Federal grants and income and sales taxes. Revenues that the Commonwealth earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when the payment is due.

The Commonwealth reports the following major governmental funds:

**General Fund** – Accounts for the transactions related to resources received and used for those services traditionally provided by a State government, which are not accounted for in any other fund. These services include general government, legislative and judicial activities, public safety, health and mental health programs, resources and economic development, licensing and regulation, and primary and secondary education.

**Commonwealth Transportation Special Revenue Fund** – Accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is received from highway user taxes, fees, and funds received from the Federal government.

**Federal Trust Special Revenue Fund** – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation fund, the Unemployment Compensation Fund, and institutions of higher education.

**Literary Fund Special Revenue Fund** – Accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings.

**Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements** – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their proprietary fund activities (including component units accounted for using proprietary fund accounting). All Proprietary Funds reported herein, with the exception of the Pocahontas Parkway (Major Enterprise Fund), the Mental Health Local Funds (Nonmajor Enterprise Fund), the Virginia Polytechnic Institute and State University (Major Component Unit), the Virginia Port Authority (Nonmajor Component Unit), the A. L. Philpott Manufacturing Extension Partnership (Nonmajor Component Unit), the Mary Washington College (Nonmajor Component Unit), and the Roanoke Higher Education Authority (Nonmajor Component Unit), apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Pocahontas Parkway, the Mental Health Local Funds, the Virginia Polytechnic Institute and State University, the Virginia Port Authority, the A. L. Philpott Manufacturing Extension Partnership, the Mary Washington College, and the Roanoke Higher Education Authority apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Commonwealth reports the following major enterprise funds:

**State Lottery Fund** – Accounts for all receipts and expenses of the State Lottery.

**Virginia College Savings Plan Fund** – Administers the Virginia Prepaid Education Program.

**Pocahontas Parkway Fund** – Accounts for the Route 895 Connector Project. The Pocahontas Parkway Association is a blended component unit of the Department of Transportation (Primary Government).

**Unemployment Compensation Fund** – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the Commonwealth reports the following fund types:

#### **Governmental Fund Types:**

**Special Revenue Funds** – Account for transactions related to resources received and used for restricted or specific purposes. Examples include conservation, health care, public building construction, acquisition, and operation, and other miscellaneous activity.

**Debt Service Funds** – Account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations.

**Capital Project Funds** – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds. The primary resource for these funds is the proceeds of bond issues. Principal uses are for construction and improvement of State office buildings, correctional and mental health facilities, and parks.

**Permanent Funds** – Account for transactions of the Commonwealth Health Research Fund, Virginia Arts Foundation Fund, and Mental Health Endowment Funds whose principal must be maintained intact and whose income is used to benefit the Commonwealth's citizens and mental health patients.

#### **Proprietary Fund Types:**

**Enterprise Funds** – Account for transactions related to resources received and used for financing self-supporting activities of the Commonwealth that offer products and services on a user-charge basis to external users.

**Internal Service Funds** – Account for transactions related to the financing and sale of goods or services provided by the agencies of the Commonwealth to other agencies and institutions of the Commonwealth. The goods and services furnished are charged to the recipient agency or institution to recover costs through user charges.

#### **Fiduciary Fund Types:**

**Private Purpose Trust Funds** – Account for transactions of all other trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. These trusts include those for escheat property, educational savings plans, and others.

**Pension Trust Funds** – Account for transactions of the Commonwealth administered retirement systems and other employment benefits.

**Investment Trust Funds** – Account for the external portions of the State Non-Arbitrage Program and Local Government Investment Pools that are sponsored by the Commonwealth.

**Agency Funds** – Account for amounts held in trust by the Commonwealth for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, deposits of insurance carriers, child support collections and other miscellaneous accounts.

#### **E. Budgetary Process**

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements Sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the State, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major) and State Parks Foundation (nonmajor) – Special Revenue Funds. Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), the Literary – Special Revenue (major), and State Parks Foundation – Special Revenue (nonmajor) Funds because effective budgetary control is alternatively achieved through the General Fund and the remaining Special Revenue Funds.

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another,

provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

## **F. Cash, Cash Equivalents, and Investments**

### **Cash**

In order to maximize the Commonwealth's earning potential, the majority of the Primary Government's cash balances are pooled together in the general account for investment purposes. The amounts required for operations are liquidated as needed. Since all amounts not required for operations are held in investment securities, it is possible that the cash balances could be negative due to timing differences in liquidating the investments.

As of June 30, 2002, the General Fund had a negative cash balance of \$2.5 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the Primary Government's cash equivalents and investments (see Note 4).

### **Cash Equivalents**

Cash equivalents are investments with an original maturity of three months or less.

### **Investment Bases**

Investments are principally comprised of monies held by component units, Pension Trust Funds, and monies held by the State Treasurer in both the general account and other fiduciary accounts.

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost. All other investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Investments administered by the Virginia Retirement System (VRS) are reported at fair value. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the VRS' share of their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (Component Unit) are reported at fair value, except for money market investments and investments in the Commonwealth sponsored investment pools, which are reported at amortized cost.

### **Derivatives**

Derivative instruments are used to improve return on investments and modify risk exposures (see Note 4).

## **G. Receivables**

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as Federal revenue and receivables of the Commonwealth's Medicaid program. Receivables in the Proprietary Funds consist primarily of tuition benefits payable. Receivables of Fiduciary Funds are primarily the accrual of member and employer contributions in the Pension Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the Component Units consist primarily of mortgage receivables, loans receivable, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 5).

## **H. Internal Balances**

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

## **I. Inventory**

### **Materials and Supplies**

Inventories of materials and supplies are reported as expenditures when consumed. These assets are offset by a fund balance reserve that indicates they are not available for spending. Inventories exceeding \$1 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of Corrections (VDOC)
- Virginia Employment Commission (VEC)
- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)

VDOC inventories are recorded in the General (major) and Dedicated Special Revenue Fund (nonmajor) using the FIFO methodology and are maintained based on the lower of cost or market methodology.

VEC inventories are recorded in the Federal Trust Fund (major) and are maintained based on the weighted average methodology.

VSP inventories are recorded in the General (major) and Other Special Revenue (nonmajor) Funds. VDOT inventories are recorded in the

Commonwealth Transportation Fund (major). VDH inventories are recorded in the General (major), Other Special Revenue (nonmajor), Dedicated Special Revenue (nonmajor), and Federal Trust (major) Funds. All of these inventories are maintained at cost based on the average cost methodology.

Inventories maintained by the Virginia Museum of Fine Arts (Nonmajor Enterprise Fund), the Science Museum of Virginia (Nonmajor Enterprise Fund), the Consolidated Laboratory (Nonmajor Enterprise Fund), the Correctional Enterprises (Internal Service Fund), and the Virginia Equine Center Foundation (Nonmajor Component Unit) are stated at the lower of cost or market using FIFO. Inventories maintained by the Internal Service Funds except for the Correctional Enterprises are stated at cost using FIFO. Institutions of higher education (Component Units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods.

The Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) and the Virginia Industries for the Blind (Nonmajor Enterprise Fund) maintain inventories using the average cost methodology. Inventories maintained by the Virginia Port Authority (Nonmajor Component Unit) are reported using the moving average cost methodology. The Virginia Housing Development Authority (Major Component Unit) maintains inventories at the lower of cost or fair value. The State Lottery Department's (Major Enterprise Fund) inventory consists of unsold instant tickets that are valued at cost and expensed over the life of each game as it is sold to retailers.

#### **Food Stamps**

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Commonwealth recognizes food stamp distributions as revenue and expenditures in the Federal Trust Major Special Revenue Fund. Revenue and expenditures are recognized when benefits are distributed. Food stamps held at June 30 totaling \$13.5 million are reported as inventory and are offset by deferred revenue. Due to the Commonwealth's conversion to the electronic benefits transfer system, the physical food stamp inventory system was returned to the Federal government subsequent to year-end.

#### **J. Prepaid Items**

Prepaid expenses for rent, insurance, and similar items reported in governmental funds are recognized when purchased.

#### **K. Other Assets**

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 7).

#### **L. Interfund Loans Receivable/Payable**

Loans Receivable/Payable represent working capital advances from one fund to another (see Note 6).

#### **M. Property, Plant, Equipment, and Infrastructure**

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Assets. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 9).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. The Commonwealth capitalizes all property, plant, equipment, and infrastructure that have a cost or value greater than \$5,000 and an expected useful life of greater than two years. Selected agencies and institutions of higher education utilize a capitalization limit lower than \$5,000 for various reasons. Accordingly, reported fixed assets may include some items that cost less than \$5,000. Infrastructure, including highways, bridges, and rights-of-way, is capitalized for the first time in fiscal year 2002 using the historical approach.

The Commonwealth's capitalization policy regarding works of art/historical treasures is that capitalization is encouraged, but not required, for works of art/historical treasures that meet the following conditions:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- The collection is protected, kept unencumbered, cared for and preserved; and
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

The Commonwealth capitalizes construction-in-progress when project expenditures exceed \$5,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. Expenditures are classified as construction-in-progress if:

- (1) they extend the asset life, improve productivity, or improve the quality of service; and

- (2) they fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation or demolition phase of the asset life.

The estimated lives of fixed assets are as follows:

	<u>Years</u>
Buildings	10–50
Equipment	2–20
Infrastructure	5–50

## N. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also include payments for nonexchange transactions that met eligibility requirements prior to year-end.

## O. Deferred Revenue and Deferred Credit

### Deferred Revenue

Deferred revenue represents monies received or revenues accrued but not earned as of June 30, 2002. The majority of this amount is reported by higher education institutions (Component Unit), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the General Fund (major), deferred revenue represents receivables that will be collected after August 31, 2002. In the Special Revenue Funds, deferred revenue is composed primarily of Federal grant money received but not spent. In the Enterprise Funds, a majority represents unearned premiums of Risk Management (nonmajor), unearned revenues of Consolidated Laboratory (nonmajor), and on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held. In the Internal Service Funds, it represents primarily unearned premiums for the Risk Management Fund. Deferred revenues in the other component units consist primarily of the deferral of fees related to various lending activities.

### Deferred Credit

The deferred credit represents the deferral of income taxes withheld for the period January through June 2002, that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns in subsequent years. This amount is estimated annually using statistical data derived from income taxes filed in previous years. Deferred credit totaling \$501.8 million is reported in the General Fund (major).

## P. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2002. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the Commonwealth's liability insurance programs are reported in the Risk Management – Internal Service Fund, and the Risk Management – Nonmajor Enterprise Fund. Also, health insurance claims are reported in the Health Care – Internal Service Fund and the Local Choice Health Care – Nonmajor Enterprise Fund (see Note 15.A. and 15.B.).

The claims payable reported in the Private Purpose Trust Fund reflects the amount of anticipated payments to the claimants of unclaimed property receipts.

## Q. Obligations Under Securities Lending Program

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, liabilities resulting from these transactions have been recorded as obligations under security lending transactions.

## R. Other Liabilities

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year end (see Note 16).

## S. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 17).

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as



other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 17).

**T. Reserved Fund Balances**

Reserved fund balances indicate that portion of fund balance that is not available to fund operations or is legally segregated for specific future use. Fund balance reservations are not specifically denoted in instances where the nature of the fund dictates the entire amount is reserved.

**U. Unreserved, Designated Fund Balances**

Designations of fund balance, as shown in Note 2, are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Commonwealth to designate the portion of fund balance set aside by the General Assembly through the Appropriation Act to fund tentative but approved future plans. Unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Commonwealth to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

**V. Unreserved, Undesignated Fund Balances**

The unreserved, undesignated basis of budgeting fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated fund balance described in Notes 1.T. and 1.U. above.

**W. Cash Management Improvement Act**

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the Federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is

subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on or before March 1, 2003. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the annualized average earnings rate of 13-week Treasury bills.

**X. Interest, Dividends, Rents, and Other Investment Income**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income is reported in this line item. Since this amount includes changes in the fair value of investments, the amount reported may be negative. In addition, the amount reported also includes rent payments received on properties owned by the Commonwealth.

**Y. Intrafund Eliminations**

Eliminations have been incorporated into the report to eliminate intrafund transactions within the related fund type. These eliminations prevent overstatement of financial activity.

**Z. Interfund Activity**

Generally, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to a different fund that expends the resources.

## 2. GENERAL FUND ANALYSIS – BASIS OF BUDGETING

The following schedule represents reservations and designations of General Fund balance on the basis of budgeting as presented in the General Fund Preliminary (Unaudited) Annual Report dated August 15, 2002.

### Reservations and Designations of Fund Balance General Fund, Basis of Budgeting

June 30, 2002

(Dollars in Thousands)

Fund Balance, June 30, 2002		\$	632,969
Reserved Fund Balance:			
Revenue Stabilization Reserve Fund	\$	472,376	
Payroll Reserve for July 1, 2002 Payroll		65,371	
Unexpended Lottery Proceeds		25,218	
Total Reserved Fund Balance			562,965
Unreserved Fund Balance:			
Designated:			
Amount Required for Reappropriation of 2002 Unexpended Balances:			
Capital Outlay		70,004	
Total Designated Fund Balance			70,004
Undesignated Fund Balance, June 30, 2002		\$	-

## 3. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2002, a deposit of \$187.1 million and a withdrawal of \$467.7 million were made. A deposit is not required based on FY 2002 revenue collections. The Revenue Stabilization Fund has principal and interest on deposit of \$472.4 million reserved as a part of General Fund equity. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is \$934.5 million and \$963.0 million for FY 2002 and FY 2003, respectively.

## 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2002, the carrying amount of cash for the primary government was \$1,863,595,570 and the bank balance was \$247,696,102. In addition, cash balances related to executory costs attributable to capital leases in the amount of \$538,000 are not reported in the Government-wide Statement of Net Assets, but are included in the Governmental Fund Balance Sheet. The carrying amount of cash for the component units was \$849,263,625 and the bank balance was \$206,783,736. Cash equivalents are investments with an original maturity of three months or less.

The deposits of the primary government and the component units are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. The Act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent of public deposits in the case of a bank and 100 percent to 110 percent for a savings institution.

Securities pledged by banks and savings institutions, under the Act, are held by an approved escrow agent for the Treasury Board. In the event a depository bank defaults or becomes insolvent, the Treasury Board first assesses the collateral of the defaulting or insolvent institution and then assesses the collateral pledged by other public depositories on a statutory based ratio to the extent necessary to satisfy the assessment against the defaulting bank. The collateral pledged by all banks is sufficient to cover the uncollateralized public deposits of any single bank. Upon default or insolvency of a savings institution, the Treasury Board assesses the institution the amount of public funds on deposit in excess of Federal insurance. The State Treasurer liquidates the necessary pledged collateral of the institution to reimburse public depositors to the extent of the institution's deposit liability to them. As a result, these deposits are considered insured.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1–32.8 et seq. of the *Code of Virginia*. The Act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by Federal deposit insurance.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia*, to invest in the following:

- U. S. Treasury and agency securities
- Corporate debt securities of domestic corporations
- Asset-backed securities
- Mortgage-backed securities
- AAA rated obligations of foreign governments
- Bankers acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

Permitted investments include agency mortgage-backed securities, reported as U. S. Treasury and agency securities, and asset-backed securities, reported as corporate notes, which by definition usually expose the investor to prepayment risk.

Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing and reinvestment risks of these securities.

Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of higher education (Component Units) are established by the institutions' governing boards.

The Board of Trustees of the Virginia Retirement System (VRS) (Primary Government) has full power to invest and reinvest the trust funds in accordance with Section 51.1–124.30 of the *Code of Virginia*, as amended. This section requires the Board to discharge its duties solely in the interest of the beneficiaries and to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

The information presented for the external investment pools was obtained from audited financial statements. Copies of the State Non-Arbitrage Program (SNAP) report may be obtained by writing Evergreen Investment Management Company, LLC, Riverfront Plaza, 951 East Byrd Street, Richmond, Virginia 23219. Copies of the Local Government Investment Pool (LGIP) report may be obtained by writing the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218. Participation in these pools is voluntary, except for participants who borrow through the Virginia Public School Authority's pooled bond program and must participate in SNAP.

SNAP is an open-end management investment company registered with the Securities Exchange Commission (SEC). LGIP is not SEC-registered; however, it maintains a policy to operate in a manner consistent with SEC Rule 2a7.

### **Custodial Risk**

Investments held by the Commonwealth at June 30, 2002, have been categorized according to the level of credit risk associated with its custodial arrangements at fiscal year end.

Credit risk, as used below, refers to the risk that the Commonwealth may not be able to obtain possession of its investments in the event of default by counterparty. The three types of credit risk are:

- Category 1, which includes investments that are insured or registered or for which securities are held by the Commonwealth or its agent in the Commonwealth's name;
- Category 2, which includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Commonwealth's name; and,
- Category 3, which includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the Commonwealth's name.

Securities lent at year-end for cash collateral are presented as unclassified. Securities lent for non-cash collateral are classified according to the custodial arrangements.

The investments of the Pension Trust Funds are approximately 73.0 percent of the primary government investments that are in Category 1 and 96.9 percent of those in Category 3. Additionally, the entire amounts of Equity Index and Pooled Funds, Real Estate, Venture Capital, foreign currencies, and TBC Pooled Employee Trust Fund included in the primary government schedule are attributable to the Pension Trust Funds, and cannot be categorized because the investments are not evidenced by physical securities.

**Cash Equivalents - Primary Government**

June 30, 2002

*(Dollars in Thousands)*

(Dollars in thousands)

Type of Securities	Category			Fair Value
	1	2	3	
Cash Equivalents - Categorized				
U. S. Treasury and				
Agency Securities	\$ 135,958	\$ -	\$ -	\$ 135,958
Corporate Notes	(4,745)	-	-	(4,745)
Corporate and Other Bonds	442	-	-	442
Commercial Paper	1,127,872	-	-	1,127,872
Negotiable Certificates of Deposit	186,719	-	-	186,719
Repurchase Agreements	692,318	-	3,698	696,016
Banker's Acceptance	(112)	-	-	(112)
Mutual, Money Market Funds	239,376	-	-	239,376
	<u>\$ 2,377,828</u>	<u>\$ -</u>	<u>\$ 3,698</u>	
Cash Equivalents - Not categorized				
Deposits with the U. S. Treasury for Unemployment Compensation				828,615
Mutual, Money Market Funds				420,135
Other				561
Total Cash Equivalents				<u>3,630,837</u>
Less: General Fund Cash Drawn Against Cash Equivalents				<u>(811,499)</u>
Adjusted Total				<u>\$ 2,819,338</u>

Note: Fiduciary cash and cash equivalents in the amount of \$1,801,439 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

**Investments - Primary Government**

June 30, 2002

*(Dollars in Thousands)*

Type of Securities	Category			Fair Value
	1	2	3	
Investments - Categorized				
U. S. Treasury and				
Agency Securities	\$ 7,154,042	\$ -	\$ 79,944	\$ 7,233,986
Common and Preferred Stocks	7,989,909	-	3,014	7,992,923
Corporate Notes	783,042	-	-	783,042
Corporate and Other Bonds	2,989,875	-	4,854	2,994,729
Commercial Paper	13,499	-	-	13,499
Negotiable Certificates of Deposit	330,095	-	-	330,095
Municipal Securities	55,000	-	-	55,000
Repurchase Agreements	33,956	-	-	33,956
Banker's Acceptance	7,537	-	-	7,537
Mutual, Money Market Funds	1,152,305	-	-	1,152,305
Investments held by broker-dealers				
under securities loans				
U. S. Government and				
Agency Securities	80,436	-	62,456	142,892
	<u>\$ 20,589,696</u>	<u>\$ -</u>	<u>\$ 150,268</u>	
Investments - Not categorized				
Deposits with the U. S. Treasury for Unemployment Compensation				1,137,186
Mutual, Money Market Funds				26,711
Foreign Currencies				12,524,416
Equity Index and Pooled Funds				115,553
Index Funds				1,211,414
Real Estate				2,191,040
Venture Capital				787,648
TBC Pooled Employee Trust Fund				105,930
Guaranteed Investment Contracts				297,956
Fixed Income and Commingled Funds				143,382
Other				
Investments held by broker-dealers under securities loans:				
U. S. Government and Agency Securities				2,100,061
VRS Separate Account				2,766,009
Common and Preferred Stocks				333,740
Corporate Notes				25,330
Corporate Bonds				484,652
Total Investments				<u>44,990,992</u>
Less: General Fund Cash Drawn Against Investments				<u>(1,729,305)</u>
Adjusted Total				<u>\$ 43,261,687</u>

Note: Fiduciary investments in the amount of \$41,259,178 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

**Cash Equivalents - Component Units**

June 30, 2002

*(Dollars in Thousands)*

Type of Securities	Category			Fair Value
	1	2	3	
Cash Equivalents - Categorized				
U. S. Treasury and				
Agency Securities	\$ 3,958	\$ -	\$ -	\$ 3,958
Commercial Paper	9,013	-	-	9,013
Municipal Securities	1,600	-	-	1,600
Repurchase Agreements	787,964	13,774	5,824	807,562
Certificates of Deposit	3,016	-	-	3,016
	<u>\$ 805,551</u>	<u>\$ 13,774</u>	<u>\$ 5,824</u>	
Cash Equivalents - Not categorized				
Mutual, Money Market Funds				152,127
U. S. Government Securities				7,848
Other				4,753
Component Units' Investment in Local Government's Investment Pool				93,176
				<u>\$ 1,083,053</u>

## Investments - Component Units

June 30, 2002

(Dollars in Thousands)

(Dollars in thousands)

Type of Securities	Category			Fair Value
	1	2	3	
Investments - Categorized				
U. S. Treasury and				
Agency Securities	\$ 795,021	\$ 6,591	\$ 57,985	\$ 859,597
Common and Preferred Stocks	461,567	-	6,312	467,879
Corporate Notes	29,706	2,117	-	31,823
Corporate Bonds	60,608	-	1,834	62,442
Commercial Paper	2,111	-	-	2,111
Municipal Securities	2,072,834	759	3,178	2,076,771
Repurchase Agreements	75,283	178,598	-	253,881
Asset Backed Securities	324,398	-	-	324,398
Agency Mortgage Backed	134,800	-	-	134,800
Money Market Instruments	233,540	-	-	233,540
Banker's Acceptance	76	-	-	76
Certificates of Deposit	6,006	-	-	6,006
Mutual Funds	-	-	2,355	2,355
	<u>\$ 4,195,950</u>	<u>\$ 188,065</u>	<u>\$ 71,664</u>	
Investments - Not categorized				
Mutual, Money Market Funds				654,751
Real Estate				18,528
U. S. Government Securities				6,940
Index Funds				9,454
Other				1,131,251
Investments held by broker-dealers under securities loans:				
Securities held in a Collateral Investment Pool				<u>27,352</u>
				\$ 6,303,955

### Primary Government

#### Securities Lending

The State Treasury's securities lending program is managed by its Master Custodian, The JP Morgan Chase Bank, under a contract dated December 1, 2000. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 Investment of Public Funds of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in the securities lending program for the entire year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by Treasury with a 24-hour notice. Per the contract with JP Morgan Global Securities Lending, all pledged cash and other collateral attributable to loans made on the Commonwealth's behalf shall be maintained by the Master Custodian Bank, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with JP Morgan Global Securities Lending provides for loss indemnification against borrower default as defined in the applicable Master Securities Lending Agreement. Additionally, JP Morgan Chase is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Securities Lending Agreement. There were no losses resulting from default during the reporting period, nor recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is usually at least 102 percent of fair value of the securities loaned and must be maintained at 100 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio has only about 50 percent in loanable securities, thus effectively capping the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 16 percent of the general account securities were on loan.

During the past year, a combination of U. S. Government (Treasury and Agency) securities and corporate securities have been loaned, with the majority of the loaned securities being U. S. Government securities. Collateral received included a combination of cash and non-cash securities, with the non-cash collateral being U. S. Government securities.

Securities loaned for the general account as of June 30, 2002, had a reported amount of \$495,875,710 and a fair value of \$509,564,737. The fair value of the collateral received was \$517,619,087 providing for coverage of 101.6 percent. As a result, the State Treasury assumes no credit risk.

Current cash investment guidelines allow for a maximum weighted-average portfolio maturity of 120 days. At June 30, 2002, the open portion of the cash reinvestment portfolio had a weighted average maturity of 6 days. Treasury's current cash reinvestment guidelines allow for investment in Government securities, AAA rated sovereign governments, commercial paper and corporate notes, negotiable certificates of deposit, certificates of deposit and time-deposits collateralized under the Virginia Security for Public Deposits Act, bankers' acceptances, bank notes, repurchase agreements collateralized by U. S. Treasury and Agency issues, and registered money market funds. At June 30, 2002, cash reinvestments were as follows: \$53 million in government repurchase agreements, \$15 million in commercial paper, \$139 million in floating rate corporate notes, \$25 million in agency discount notes, \$27 million in negotiable certificates of deposit, and \$10 million in A1P1 money market repurchase agreements. Non-cash collateral value at June 30, 2002, was approximately \$249 million in government securities.

Under authorization of the Board of Trustees, the VRS lends its fixed income and equity securities to various broker-dealers on a temporary basis. The program is administered through an agreement with the VRS' custodial agent bank. All security loan agreements are collateralized by cash, securities or irrevocable letter of credit issued by major banks, having a fair value equal to at least 102 percent of the fair value on domestic securities and 105 percent on international securities. Securities received as collateral cannot be pledged or sold by the VRS unless the borrower defaults. Contracts with the lending agents require them to indemnify the VRS if the borrowers fail to return the securities lent and related distributions, and the collateral is inadequate to replace the securities lent.

All security loans can be terminated on demand by either the VRS or the borrowers. The majority of loans are open loans meaning the rebate is set daily, resulting in a maturity of one or two days on average for loans, although securities are often out on loan for a longer period of time. The maturity of loans generally does not match the maturity of collateral investments, which averages 53 days. At year-end, the VRS has no credit risk exposure to borrowers because the amounts the VRS owes the borrowers exceed the amounts the borrowers owe the VRS. The fair value of securities on loan at June 30, 2002, was \$2,848,935,000 and the value of collateral (cash and non-cash) was \$2,271,711,000.

Securities out on loan are included with investments on the Combining Statement of Plan Net Assets and are classified in the summary of custodial risk. The invested cash collateral is included in the statement as an asset and corresponding liability. The invested cash collateral is also classified in the summary of custodial risk.

As authorized by Section 2.2-4506 of the *Code of Virginia*, the Virginia Lottery, through its master custodian, The JP Morgan Chase Manhattan Bank, New York, N. Y., N. A., lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. All security loan agreements are collateralized at loan inception at 102 percent of fair value by cash or U. S. Government obligations and adjusted to market daily to cover fair value fluctuations. As a result management assumes no credit risk.

The Virginia Lottery does not have the ability to use cash collateral or to pledge or sell collateral securities absent borrower default. The Lottery's contract with The Chase Manhattan Bank provides for loss indemnification against borrower default as a result of bankruptcy, insolvency, reorganization, liquidation, receivership or similar event. There were no losses resulting from default during the reporting period, nor recoveries of prior period losses during this reporting period. At June 30, 2002, the fair value of investment account securities on loan was \$130,585,252 secured by \$132,690,304 in cash deposits, and \$218,721,256 secured by \$223,095,681 in fair value securities that cannot be pledged or loaned.

### **Derivative Financial Instruments**

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options, or swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities such as collateralized mortgage obligations, which are sensitive to changes in interest rates and prepayments. Futures, forwards, options and swaps are generally not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The VRS is a party, both directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value due to fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Credit risk is the possibility that loss may occur from failure of a counterparty to perform according to the terms of the contract. Market risk arises from adverse changes in market price, interest rates and foreign exchange rates that may result in a decrease in the fair value of a financial investment and/or increase in its funding cost.



In addition to exposure from directly held derivative financial instruments, the VRS may have indirect exposure to risk through its ownership interests in commingled investment funds that use, hold, or write derivative financial instruments. Indirect exposure may also arise from stock lending programs in which the commingled funds participate. Such programs usually reinvest a portion of their cash collateral holdings in derivative instruments. The VRS' pro rata share of the contractual or notional amounts of outstanding derivative transactions in commingled investment funds and their related security lending programs approximated \$74,999,000 at June 30, 2002.

### **Forward, Futures, and Options Contracts**

Forward contracts are contracts to purchase or sell, and futures contracts are contracts to deliver or receive financial instruments, foreign currencies or commodities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange traded) and require initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk due to nonperformance of counterparties to futures contracts is minimal. In contrast, forward contracts traded over-the-counter are generally negotiated between two counterparties. They are subject to credit risks resulting from nonperformance of one of the counterparties and to market risks resulting from adverse fluctuations in market prices, interest rates and foreign exchange rates.

Options may be either exchange traded or negotiated directly between two counterparties over the counter. Options grant the holder the right, but not the obligation, to purchase or sell a financial instrument at a specified price and within a specified period of time from the 'writer' of the option. As a purchaser of options, the VRS typically pays a premium at the outset. The premium is reflected as an asset on the financial statements. The VRS then retains the right but not the obligation to exercise the option and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless and the premium is recorded as a loss. A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the VRS receives a premium at the outset. The premium is reflected as a liability on the financial statements and bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Forward, futures and options contracts provide the VRS with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange traded or are exercised over-the-counter.

Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates. At June 30, 2002, the VRS had purchased S & P and Russell Index futures and options on Eurodollar and Treasury bond note futures, including options on Eurodollar futures, with a notional value of \$1,060,556,000 and sold S&P Index futures and options on Eurodollar and Treasury bond and note futures, including options on these futures with a net fair value of \$394,316,000. At June 30, 2002, the VRS had pledged as collateral U. S. Treasury and U. S. Government Agency securities with a total fair value of \$79,358,000 as the margin requirement for futures contracts.

In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2002, include receivables for deposits with brokers for securities sold short of \$736,544,000 and payables for securities sold short and not covered with market values of \$792,015,000.

### **Asset-Backed Securities**

Among the instruments with derivative-like characteristics that the VRS invests in various asset-backed securities such as collateralized mortgage obligations (CMO), principal-only strips (PO), and interest-only strips (IO). These instruments are used primarily to enhance returns by taking advantage of opportunities available in this sector of the securities markets. CMO securities are bonds collateralized by mortgage-backed securities and issued in several tranches that represent a reallocation of the underlying mortgage-backed securities cash flows. Both PO and IO securities are created by splitting the asset-backed securities into principal-only and interest-only portions. At June 30, 2002, the VRS held CMO securities with a fair value of \$301,643,000, and IO and PO securities with a fair value of \$2,175,000.

The credit risks on the various asset-backed securities in which the VRS invests are usually very low. Many of the securities held by the VRS are issued by quasi-U. S. governmental agencies. Others are issued by organizations with AAA or AA credit ratings. The market risk of these securities depends on changes in interest rates and the level of the underlying prepayments, i.e., when the mortgagors repay the underlying principal and interest are paid by the mortgagors.

### **Foreign Exchange Contracts**

Foreign exchange contracts include forward, futures and options contracts. They involve either the exchange of specific amounts of two currencies or the delivery of a fixed amount of a currency at a future date and specified exchange rate. Forward and futures contracts settle three or more business days from the contract date. Forward contracts are negotiated over-the-counter between two counterparties, while futures contracts are exchange traded. Foreign currency options, which are either negotiated between two counterparties or are exchanged traded, grant the buyer the right, but not the obligation, to purchase or sell at a specified price, a stated amount of an underlying currency at a future date. At June 30, 2002, the VRS had sold foreign currency contracts with a notional value of

\$156,394,000 and had purchased foreign currency contracts with a notional value of \$157,721,000. In addition, VRS had purchased options on foreign currency with a market value of \$353,000.

Foreign exchange contracts are used by the VRS to effect settlements and to protect the base currency (\$US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. The credit risk of currency contracts that are exchange traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure is usually equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

### **Swap Agreements**

Swaps are negotiated contracts between two counter parties for the exchange of payments at certain intervals over a predetermined time frame. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indices. During FY 2002, the VRS entered into interest rate and total return swaps with a total notional value of \$80,000,000. Swaps are used to manage risk and enhance returns. To reduce the risk of counter party non-performance, the VRS generally requires collateral on any material gains from these transactions.

### **Component Units**

#### **Derivative Financial Instruments**

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. A derivative instrument generally has one or more underlying investment, requires little or no initial net investment, and requires or permits a net settlement. In addition, some traditional securities can have derivative-like characteristics. Examples of common derivatives include, but are not limited to, futures, forwards, options or swap contracts. Although the contract or notional amount of the derivative is not recorded on the financial statements, all derivative instruments are recognized as

either an asset or a liability depending on the rights or obligations of the contract measured at fair value.

The Virginia Housing Development Authority (major) manages its interest risk on single and multi-family loan commitments through short sales of investment securities. These transactions meet the requirements for hedge accounting as all hedged items are specifically identified, probable of occurring, and highly correlated to the hedging instrument. The gain or loss from hedging transactions is recorded as an unamortized premium or discount and recognized as an adjustment to yield over the remaining life of the loan. The Authority periodically assesses correlation in order to determine the ongoing appropriateness of hedge accounting. During the year ended June 30, 2002, the Authority experienced a net loss of \$5,680,604 from hedging transactions settled during the year. At June 30, 2002, \$4,628,647 of short sales were outstanding which had an unrealized loss of \$8,938. The Authority's policy is to make adjustments to interest rates of loans related to such hedging transactions to reflect the losses or gains on such hedging transactions.

The University of Virginia (major) has indirect exposure to various derivative financial instruments that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value due to fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Credit risk is the possibility that losses may occur from the failure of a counterparty to perform according to the terms of the agreement. The University minimizes the credit (or repayment) risk in its direct derivative instrument by entering into transactions with high quality counterparties and a legally enforceable master netting agreement. The "net" mark to market exposure represents the netting of the positive and negative exposures with the same counterparty. Market risk arises due to adverse changes in market price, interest rate and foreign exchange rate fluctuations that may result in a decrease in the market value of a financial investment and/or increases, in its funding cost. The University manages market risk by establishing and monitoring limits as to the type and degree of risk that may be undertaken. At June 30, 2002, the University of Virginia was not participating in any direct fair value hedges.

## 5. RECEIVABLES

The following schedule details the accounts, loans, taxes, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2002:

(Dollars in Thousands)

	Accounts and Loans Receivable	Taxes Receivable	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable
<b>Primary Government:</b>					
General Fund	\$ 261,294	\$ 527,971	\$ -	\$ (195,422)	\$ 593,843
Major Special Revenue Funds:					
Commonwealth Transportation Trust	281,620	-	-	(3,797)	277,823
Federal Trust	405,646	-	-	(19,325)	386,321
Literary	210,504	-	-	(136,842)	73,662
Major Enterprise Funds:					
State Lottery	36,195	-	-	-	36,195
Virginia College Savings Plan	283,859	-	-	-	283,859
Pocahontas Parkway	1,445	-	-	-	1,445
Unemployment Compensation	37,567	-	-	-	37,567
Nonmajor Governmental Funds	169,486	-	-	(63,635)	105,851
Nonmajor Enterprise Funds	16,570	-	-	-	16,570
Internal Service Funds	19,489	-	-	-	19,489
Private Purpose	540	-	-	-	540
Pension Trust	218,822	-	1,721,664	-	1,940,486
Investment Trust Funds	-	-	6,242	-	6,242
Agency Funds	524	38,755	-	-	39,279
<b>Total Primary Government (1)</b>	<u>\$ 1,943,561</u>	<u>\$ 566,726</u>	<u>\$ 1,727,906</u>	<u>\$ (419,021)</u>	<u>\$ 3,819,172</u>
<b>Discrete Component Units:</b>					
Virginia Housing Development Authority	\$ 125,355	\$ -	\$ -	\$ (4,903)	\$ 120,452
Virginia Public School Authority	440,535	-	-	-	440,535
University of Virginia	290,560	-	-	(77,116)	213,444
Virginia Polytechnic Institute and State University	7,964	-	-	(2,043)	5,921
Virginia Commonwealth University	186,849	-	-	(28,604)	158,245
Nonmajor Component Units	1,419,830	2,924	-	(8,549)	1,414,205
<b>Total Component Units</b>	<u>\$ 2,471,093</u>	<u>\$ 2,924</u>	<u>\$ -</u>	<u>\$ (121,215)</u>	<u>\$ 2,352,802</u>

Note (1): Fiduciary net receivables in the amount of \$1,986,547 (dollars in thousands) are not included in the Government-wide Statement of Net Assets

## 6. INTERFUND ASSETS/LIABILITIES

### Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

Included in the category of due from other funds are "Due from Other Funds and Primary Government," "Due from Fiduciary Funds," and "Due from Component Units." Included in the category of due to other funds are "Due to Other Funds and Primary Government," "Due to Fiduciary Funds," and "Due to Component Units." The following schedule shows the Due from/to Other Funds as of June 30, 2002 (in thousands of dollars).

	General Fund	Commonwealth Transportation Trust Fund	Federal Trust Fund	Nonmajor Governmental Funds	Internal Service Funds
<b>Due To (Reported In):</b>					
<b>Primary Government</b>					
General Fund	\$ -	\$ 21,339	\$ -	\$ -	\$ 11,660
Major Special Revenue Funds:					
Commonwealth Transportation Trust	14,370	-	-	12,253	14,793
Federal Trust	5,421	-	-	-	4,137
Major Enterprise Funds:					
State Lottery	3	-	-	-	113
Virginia College Savings Plan	-	-	-	-	14
Pocahontas Parkway	-	711	-	-	-
Unemployment Compensation	-	-	-	116	-
Nonmajor Governmental Funds	4,668	-	5,430	-	4,408
Nonmajor Enterprise Funds	5,100	-	-	1,013	503
Internal Service Funds	-	-	-	-	241
Pension Trust Funds	-	-	-	-	-
Agency Funds	-	-	5,276	67	-
<b>Total Primary Government</b>	<b>\$ 29,562</b>	<b>\$ 22,050</b>	<b>\$ 10,706</b>	<b>\$ 13,449</b>	<b>\$ 35,869</b>
<b>Discrete Component Units</b>					
Nonmajor Component Units	-	-	-	-	-
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note: The above schedule does not include \$15.7 million due to the Commonwealth Transportation Fund from Pocahontas Parkway that will not be repaid within one year.

**Due From (Reported In):**

<b>Pension Trust Funds</b>	<b>Agency Funds</b>	<b>Total Primary Government</b>	<b>Virginia Polytechnic Institute &amp; State University</b>	<b>Virginia Commonwealth University</b>	<b>Nonmajor Component Units</b>	<b>Total Component Units</b>
\$ -	\$ 172	\$ 33,171	\$ -	\$ -	\$ -	\$ -
-	-	41,416	-	-	2,076	2,076
-	-	9,558	-	-	-	-
-	-	116	-	-	-	-
-	-	14	-	-	-	-
-	-	711	-	-	-	-
-	-	116	-	-	-	-
-	-	14,506	-	-	1,096	1,096
-	-	6,616	-	-	-	-
-	-	241	-	-	-	-
10,808	1,852	12,660	-	-	-	-
-	-	5,343	-	-	-	-
<u>\$ 10,808</u>	<u>\$ 2,024</u>	<u>\$ 124,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,172</u>	<u>\$ 3,172</u>
-	-	-	6,534	5,998	15,823	\$ 28,355
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 5,998</u>	<u>\$ 15,823</u>	<u>\$ 28,355</u>

## Interfund Receivables/Payables

Interfund Receivables/Payables are short-term loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the Primary Government as of June 30, 2002 (in thousands of dollars). There were no Interfund Receivables/Payables for the Component Units as of June 30, 2002.

	Receivable From (Reported In) Nonmajor Governmental Funds
<b>Payable To (Reported In):</b>	
<b>Primary Government</b>	
Major Special Revenue Funds:	
Commonwealth Transportation Trust	\$ 2,000
Federal Trust	8,915
Nonmajor Enterprise Funds	24,890
Internal Service Funds	9,883
<b>Total Primary Government</b>	<b>\$ 45,688</b>

### Interfund Loans Receivable/Payable Between Other Funds and Between Primary Government and Component Units

The \$440.5 million in Interfund Loans Receivable represents loans from the Special Revenue Fund to the Virginia Public School Authority (Major Component Unit) and Higher Education (Component Unit).

The Literary Fund (Major Special Revenue Fund) provides low interest loans to school divisions for construction, renovation, and expansion of school buildings of the cities, counties and towns of the Commonwealth. Twice a year, all permanent loans in the Literary Fund are transferred to the Virginia Public School Authority (Major Component Unit) for use as collateral on bonds. A loan receivable is recorded by the Literary Fund. At year-end, \$418.4 million in loans were receivable in the Special Revenue Fund and payable from the Authority.

The remaining \$22.1 million was loaned to Higher Education (Component Unit.). George Mason University's (Nonmajor Component Unit) loan of \$5.0, the College of William and Mary's (Nonmajor

Component Unit) loan of \$1.0 million and the Virginia Community College System's (Nonmajor Component Unit) loan of \$1.0 million were used to advance fund federally funded grant programs. Virginia Commonwealth University's (Major Component Unit) loan of \$13.9 million and the College of William and Mary's (Nonmajor Component Unit) additional loan of \$0.2 million are for the construction of parking decks and other smaller construction projects. Longwood University's (Nonmajor Component Unit) loan of \$1.0 million will be used for the University's housing sprinkler project.

The \$151.2 million in Interfund Loans Receivable represents loans from the Virginia Public School Authority (Major Component Unit) to the Literary Fund (Major Special Revenue Fund). The Virginia Public School Authority makes grants to local school divisions to finance the purchase of educational technology equipment. The Authority makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund.

## 7. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2002:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
<b>Primary Government:</b>				
General Fund	\$ 2,776	\$ -	\$ -	\$ 2,776
Major Special Revenue Funds:				
Commonwealth Transportation Trust	1,321	-	-	1,321
Federal Trust	2,199	-	-	2,199
Major Enterprise Funds:				
State Lottery	5	-	-	5
Pocahontas Parkway	-	14,295	6,039	20,334
Nonmajor Governmental Funds	576	-	-	576
Nonmajor Enterprise Funds	188	-	-	188
Internal Service Funds	1,313	-	-	1,313
Private Purpose	10	-	-	10
Investment Trust Funds	-	-	34	34
Total Primary Government (1)	<u>\$ 8,388</u>	<u>\$ 14,295</u>	<u>\$ 6,073</u>	<u>\$ 28,756</u>
<b>Discrete Component Units:</b>				
Virginia Housing Development Authority	\$ -	\$ 130	\$ 4,754	\$ 4,884
Virginia Public School Authority	-	2,434	-	2,434
University of Virginia	295	-	2,415	2,710
Virginia Polytechnic Institute and State University	-	-	356	356
Virginia Commonwealth University	250	1,854	121,150	123,254
Nonmajor Component Units	524	2,843	6,882	10,249
Total Component Units	<u>\$ 1,069</u>	<u>\$ 7,261</u>	<u>\$ 135,557</u>	<u>\$ 143,887</u>

Note (1): Fiduciary other assets in the amount of \$44 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, Commonwealth Transportation other assets in the amount of \$16,441 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

## 8. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Virginia Housing Development Authority (Major Component Unit) and the Virginia Public School Authority (Major Component Unit) reported restricted assets totaling \$7,356.0 million and \$165.8 million, respectively. These assets are restricted for debt service under a bond indenture agreement or other agreements. The Higher Education Institutions

(Component Units) reported restricted assets totaling \$1,791.6 million for endowment and other contractual obligations. The remaining \$74.4 million is spread among the Virginia Port Authority (Nonmajor Component Unit), the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) and the Small Business Financing Authority (Nonmajor Component Unit).

## 9. PROPERTY, PLANT, EQUIPMENT, AND INFRASTRUCTURE

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets				
Governmental Activities				
(Dollars in Thousands)				
	Balance July 1, as restated	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	\$ 1,100,279	\$ 98,426	\$ (161)	\$ 1,198,544
Construction in Progress	2,744,415	1,576,363	(1,252,118)	3,068,660
Total Nondepreciable Capital Assets	3,844,694	1,674,789	(1,252,279)	4,267,204
Depreciable Capital Assets:				
Buildings	2,132,260	55,623	(7,995)	2,179,888
Equipment	1,046,916	99,893	(60,434)	1,086,375
Infrastructure	12,993,327	1,050,538	(513)	14,043,352
Total Capital Assets being Depreciated	16,172,503	1,206,054	(68,942)	17,309,615
Less Accumulated Depreciation for:				
Buildings	684,684	60,087	(7,391)	737,380
Equipment	628,296	89,587	(41,609)	676,274
Infrastructure	7,501,257	284,983	(274)	7,785,966
Total Accumulated Depreciation	8,814,237	434,657	(49,274)	9,199,620
Total Depreciable Capital Assets, Net	7,358,266	771,397	(19,668)	8,109,995
Total Capital Assets, Net	\$ 11,202,960	\$ 2,446,186	\$ (1,271,947)	\$ 12,377,199

### Depreciation Expense Charged to Functions of the Primary Government June 30, 2002

(Dollars in Thousands)	
Governmental Activities:	
General Government	\$ 12,420
Education	8,381
Transportation	313,562
Resources and Economic Development	15,740
Individual and Family Services	33,185
Administration of Justice	34,829
Capital Assets held by the Internal Service	
Funds are charged to various functions	16,540
Total	\$ 434,657

Note: Beginning fund balances have been restated by \$7,640.1 million due to infrastructure, depreciation recognition, the inclusion of internal service fund balances, and the correction of prior year errors.



**Schedule of Changes in Capital Assets**

**Business-Type Activities**

*(Dollars in Thousands)*

	<b>Balance July 1, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
Nondepreciable Capital Assets:				
Land	\$ 1,726	\$ -	\$ -	\$ 1,726
Construction in Progress	255,195	55,647	-	310,842
Total Nondepreciable Capital Assets	<u>256,921</u>	<u>55,647</u>	<u>-</u>	<u>312,568</u>
Depreciable Capital Assets:				
Buildings	10,458	-	-	10,458
Equipment	81,422	19,503	(26,882)	74,043
Infrastructure	1	-	-	1
Total Capital Assets being Depreciated	<u>91,881</u>	<u>19,503</u>	<u>(26,882)</u>	<u>84,502</u>
Less Accumulated Depreciation for:				
Buildings	9,333	160	-	9,493
Equipment	50,245	10,962	(26,018)	35,189
Infrastructure	1	-	-	1
Total Accumulated Depreciation	<u>59,579</u>	<u>11,122</u>	<u>(26,018)</u>	<u>44,683</u>
Total Depreciable Capital Assets, Net	<u>32,302</u>	<u>8,381</u>	<u>(864)</u>	<u>39,819</u>
Total Capital Assets, Net	<u>\$ 289,223</u>	<u>\$ 64,028</u>	<u>\$ (864)</u>	<u>\$ 352,387</u>

**Schedule of Changes in Capital Assets**

**Component Units**

*(Dollars in Thousands)*

	<b>Balance July 1, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
Nondepreciable Capital Assets:				
Land	\$ 289,970	\$ 11,679	\$ (3,568)	\$ 298,081
Construction in Progress	704,557	388,139	(377,343)	715,353
Inexhaustible Works of Art	66,692	281	-	66,973
Livestock	907	-	(83)	824
Total Nondepreciable Capital Assets	<u>1,062,126</u>	<u>400,099</u>	<u>(380,994)</u>	<u>1,081,231</u>
Depreciable Capital Assets:				
Buildings	3,847,915	383,319	(27,811)	4,203,423
Infrastructure	1,204,598	30,470	(126)	1,234,942
Equipment	1,700,098	190,688	(116,011)	1,774,775
Improvements Other Than Buildings	343,358	35,080	(2,970)	375,468
Depreciable Works of Art	-	-	-	-
Library Books	482,729	28,640	(3,735)	507,634
Total Capital Assets being Depreciated	<u>7,578,698</u>	<u>668,197</u>	<u>(150,653)</u>	<u>8,096,242</u>
Less Accumulated Depreciation for:				
Buildings	(1,517,253)	(114,000)	24,003	(1,607,250)
Infrastructure	(608,378)	(37,705)	-	(646,083)
Equipment	(1,058,978)	(150,731)	76,206	(1,133,503)
Improvements Other Than Buildings	(154,405)	(15,555)	972	(168,988)
Depreciable Works of Art	-	-	-	-
Library Books	(377,816)	(22,990)	8,268	(392,538)
Total Accumulated Depreciation	<u>(3,716,830)</u>	<u>(340,981)</u>	<u>109,449</u>	<u>(3,948,362)</u>
Total Depreciable Capital Assets, Net	<u>3,861,868</u>	<u>327,216</u>	<u>(41,204)</u>	<u>4,147,880</u>
Total Capital Assets, Net	<u>\$ 4,923,994</u>	<u>\$ 727,315</u>	<u>\$ (422,198)</u>	<u>\$ 5,229,111</u>

Note: Beginning fund balances have been restated by \$2,766.9 million due to infrastructure and depreciation recognition.

## 10. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplemental information for each of the individual plans discussed below is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

### A. Plan Description

The Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer retirement plan, provides defined benefit pension plan coverage for State employees, teachers, political subdivision employees and other qualifying employees. The assets accumulated by the plan may legally be used to pay all benefits provided by the plan to any of the plan members or beneficiaries. At June 30, 2002, the VRS had 788 contributing employers. The State Police Officers' Retirement System (SPORS), the Judicial Retirement System (JRS), and the Virginia Law Officers' Retirement System (VaLORS) are single-employer defined benefit retirement plans. The SPORS provides retirement benefits to Virginia state police officers, the JRS provides retirement benefits to the Commonwealth's judiciary, and the VaLORS provides benefits to law enforcement and correctional officers other than state police officers. All retirement systems are administered by the Virginia Retirement System (System), an independent agency of the Commonwealth.

Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*. All full-time, salaried, permanent employees of the Commonwealth, with the exception of certain full-time faculty and administrative staff of higher education institutions and eligible employees of the Commonwealth's teaching hospitals who have the option not to participate in the VRS, must participate in the VRS, SPORS, JRS, or VaLORS. Benefits vest after five years of service.

Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating law enforcement officers) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating law enforcement officers). Employees may retire with a reduced benefit at age 50 with at least ten years of credited service or at age 55 (age 50 for participating law enforcement officers) with at least five years of credited service.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Members of the SPORS and VaLORS may receive a monthly benefit supplement if they retire prior to age 65. Members of the JRS receive weighted years of creditable service for each year of actual service

under JRS. The VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. These benefit provisions and all other requirements are established by State statute.

### B. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial statements of the pension trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed, and investment income is recognized as earned by the pension plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

#### Method Used to Value Investment

Investments are reported at fair value as determined by the System's master custodian, Boston Safe Deposit and Trust Company (Mellon Trust), from its Global Pricing System. This system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations, adjustable rate mortgages, and asset-backed securities are priced either daily, weekly or twice a month, and at month end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month end.

When a price source is unable to provide a price, quotes are sought from major investment brokers and market making dealers or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The retirement plans have no concentrations of investments in any one organization that represent 5 percent or more of plan net assets available for benefits.

## C. Funding Policy

Employer and employee contributions are required by Title 51.1 of the *Code of Virginia*. The Commonwealth pays the 5 percent of employees' annual salaries that employees are required to contribute to the retirement system.

Employer contributions by the Commonwealth to VRS were reduced from 4.24 percent to 0.00 (zero) percent in January 2002. For fiscal year 2003, the contributions to VRS will remain at 0.00 (zero) percent; however, it is scheduled to increase to 3.77 percent in fiscal year 2004. Employer contributions to SPORS, VaLORS, and JRS were 12.5 percent, 8.08 percent, and 22.5 percent,

respectively, of covered payrolls. For fiscal year 2003, the contribution to SPORS, VaLORS, and JRS will be slightly less than the rates recommended by the actuary; however, rates are scheduled to be at levels recommended by the actuary for fiscal year 2004. These rates were less than actuarially determined Annual Required Contributions (ARC), but they did meet statutory requirements. The ARC has parameters for funding automatic cost-of-living increases (COLAs) for retirees. The Commonwealth has elected the option that allows contributions to include an annual amount that would phase-in the parameters over a five-year period ending with fiscal year 2002.

## D. Annual Pension Cost and Net Pension Obligation

The following table (reported in thousands of dollars) shows the Commonwealth's annual pension cost and net pension obligation to the VRS, SPORS, JRS, and VaLORS for the current and prior years.

	VRS			SPORS		
	2002	2001	2000	2002	2001	2000
Annual required contribution	\$ 141,175	\$ 162,654	\$ 208,082	\$ 21,296	\$ 21,320	\$ 18,332
Interest on net pension obligation	20,728	19,193	15,554	1,292	1,196	912
Adjustment to annual required contribution	(17,754)	(14,439)	(11,035)	(1,106)	(900)	(647)
Annual pension cost	144,149	167,408	212,601	21,482	21,616	18,597
Contributions made	(61,716)	(148,215)	(167,120)	(10,095)	(20,420)	(15,044)
Increase in net pension obligation	82,433	19,193	45,481	11,387	1,196	3,553
Net pension obligation, beginning of year	259,099	239,906	194,425	16,151	14,955	11,402
Net pension obligation, end of year	\$ 341,532	\$ 259,099	\$ 239,906	\$ 27,538	\$ 16,151	\$ 14,955
Percentage of annual pension cost contributed	42.8%	88.5%	78.6%	47.0%	94.5%	80.9%

	JRS			VaLORS		
	2002	2001	2000	2002	2001	2000
Annual required contribution	\$ 21,655	\$ 21,126	\$ 15,332	\$ 77,599	\$ 51,220	\$ 16,216
Interest on net pension obligation	436	404	364	213	197	-
Adjustment to annual required contribution	(373)	(304)	(258)	(182)	(148)	-
Annual pension cost	21,718	21,226	15,438	77,630	51,269	16,216
Contributions made	(10,641)	(20,822)	(14,935)	(25,006)	(51,072)	(13,753)
Increase in net pension obligation	11,077	404	503	52,624	197	2,463
Net pension obligation, beginning of year	5,454	5,050	4,547	2,660	2,463	-
Net pension obligation, end of year	\$ 16,531	\$ 5,454	\$ 5,050	\$ 55,284	\$ 2,660	\$ 2,463
Percentage of annual pension cost contributed	49.0%	98.1%	96.7%	32.2%	99.6%	84.8%

The VRS pension liability for the Virginia Economic Development Partnership (VEDP) (Component Unit), the Virginia Tourism Authority (VTA) (Component Unit), and the Virginia Outdoors Foundation (VOF) (Component Unit) are reported in the financial statements. However, since the Commonwealth is not considered the employer for VEDP, VTA, or VOF, the Commonwealth's net pension obligation shown above at the end of the year does not include VEDP's pension liability of \$860,746, VTA's pension liability of \$129,287, or VOF's pension liability of \$3,296. The financial statements do not include the VRS pension liability of \$2,945 for the Virginia Information Providers Network (VIPNET) (Related Organization).

The annual required contributions for the current year and the most recent actuarial valuation of assets were determined by the June 30, 2001, actuarial valuation. Actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 8.00% investment rate of return, per year compounded annually; (b) projected salary increases ranging from 4.00% to 6.10%, including a 3.00% inflation component; and (c) 3.00% per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2001, was 30 years or less.

#### **E. Defined Contribution Plan for Political Appointees**

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the Deferred Contribution Plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the Great West Company. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (5.4 percent) and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2002, the total contributions to this plan were \$647,689.

The summary of significant accounting policies for the plan is in accordance with those discussed in Section B. The plan has no concentration of investments in any one organization that represents 5.0 percent or more of the plan net assets available for benefits.

#### **F. Higher Education Fund (Component Unit)**

The Commonwealth's colleges and universities participate in the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in an optional retirement annuity program, rather than the VRS. Optional Retirement Plans are authorized by the *Code of Virginia* and provide retirement and death benefits. The optional retirement annuity programs are offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., Great West Life, Inc., T. Rowe Price, Inc., and Metropolitan Life. These are defined contribution programs where the retirement benefits received are based upon the Commonwealth's (5.4 percent) and employees' (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2002, the total contributions to these plans were:

TIAA-CREF	\$	62,257,299
VALIC		3,997,901
Fidelity Investments		23,958,055
Great West Life		269,463
T. Rowe Price		1,293,253
Metropolitan Life		195,185
Total	\$	<u>91,971,156</u>

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – Major) contributes to the VRS. The VRS issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the Plan). All employees working at least 35 hours of service per week are eligible to participate in the Plan. Per the Plan document as approved by the Authority's Board of Directors, the Authority contributes 8.0 percent of the participant's salary to the Plan, up to a maximum of \$30,000. Total contributions for the year ended June 30, 2002, were approximately \$6,319,000. The Authority has the right at anytime, and without the consent of any party, to terminate the Plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the Plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP Plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week are eligible to participate in the HCP Plan. At June 30, 2002, there were 8 participants in the HCP Plan. All significant provisions of the HCP Plan, including the contribution requirements, are similar to the Plan. Total contributions to the HCP Plan for the year ended June 30, 2002, were approximately \$116,000.

The Medical College of Virginia Associated Physicians (MCVAP) (a Component Unit of the Authority) sponsors the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which covers substantially all non-medical employees of MCVAP. MCVAP's contribution to the 403(b) Plan (7.5 percent of participants' compensation) approximated \$1,764,000 for the year ended June 30, 2002.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) Plan), a noncontributory, defined contribution plan which covers substantially all full time clinical providers of MCVAP. Contributions to the 401(a) Plan, as determined annually at the discretion of the Board of Directors were approximately \$3,850,000 for the year ended June 30, 2002.

MCVAP also sponsors the VCUHS 401(a) Retirement, a defined contribution plan which covers all non-medical employees of MCVAP and the VCUHS 457(b) Retirement Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 9b) plan for all non-medical staff. The contributions to the VCUHS 401(a) and VCUHS 457(b) Plan for the period January 1, 2002, through June 30, 2002, were approximately \$1,312,000.

VA Premier (a Component Unit of the Authority) adopted a 401(k) plan sponsored by Prudential Mutual Fund Management, Inc. Employees may enter into the plan on the first day of the month coinciding with or following the date on which the employee begins employment. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute 1 percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to 4 percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes 3 percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in 2002 was approximately \$218,000.

The Innovative Technology Authority (ITA) has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Pension contributions for the plan totaled \$453,528 in fiscal year 2002.

## **G. Other Component Units**

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Historic Preservation Foundation (Blended - Primary Government), the Virginia Public Building Authority (Blended - Primary Government), the

Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia State Parks Foundation (Blended - Primary Government), the Virginia Schools for the Deaf and Blind Foundation (nonmajor), and the Pocahontas Parkway Association (Blended - Primary Government) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Park Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Outdoors Foundation, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Tobacco Settlement Foundation (all nonmajor), and the Virginia Land Conservation Foundation (Blended - Primary Government) contribute solely to the VRS, a mixed agent and cost-sharing multiple-employer retirement plan. The VRS issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to 8.0 percent of full-time employees' compensation. Total retirement savings expense under this plan was \$1,295,450 in fiscal year 2002. The retirement expense is fully funded as incurred; therefore, there is no unfunded future retirement liability.

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. The Authority's policy is to fund annually the minimum funding requirements of the Employee Retirement Income Security Act of 1974. In addition, the plan was restated October 1, 2001, to ensure compliance with additional regulations. On February 28, 2002, the plan was amended to provide for a one-time Voluntary Retirement Opportunity Program (VROP). The program provided for early retirement of selected employees who were 58 years of age and had at least ten years of creditable service as of April 1, 2002. The effect on this amendment, an increase in the actuarial present value of accumulated plan benefits of \$2,337,300, was accounted for and fully funded during the fiscal year ended June 30, 2002. The actuarial present value of the accumulated plan benefits as of June 30, 2001, does not reflect the effect of this amendment. The plan's financial report is audited annually and can be obtained through the Human Resource Department at the Authority.

The components of annual pension cost and prepaid pension obligation for the first single-employer noncontributory defined benefit pension plan are as follows:

	<b>2002</b>	<b>2001</b>	<b>2000</b>
Service cost - benefits earned during the year	\$ 982,000	\$ 935,000	\$ 972,000
Interest cost on projected benefit obligation	1,910,000	1,766,000	1,596,000
Expected return on assets	(2,550,000)	(2,898,000)	(2,614,000)
Net amortization and deferral	42,700	(496,000)	(363,000)
One time recognition - VROP	2,337,300	-	-
Annual pension cost	2,722,000	(693,000)	(409,000)
Contributions made	(2,840,200)	(249,000)	(193,500)
Increase in prepaid pension obligation	(118,200)	(942,000)	(602,500)
Prepaid pension obligation, beginning of year	(5,506,500)	(4,564,500)	(3,962,000)
Prepaid pension obligation, end of year	<u>\$ (5,624,700)</u>	<u>\$ (5,506,500)</u>	<u>\$ (4,564,500)</u>

The annual pension cost for the current year was determined as part of the September 30, 2001, actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of projected benefit obligation was 8.0 percent in 2002 and 2001 and 7.5 percent in 2000. The expected long-term rate of return on assets used in determining net periodic pension cost was 7.5 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2002, 2001, and 2000.

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and prepaid pension obligation for the second single-employer noncontributory defined benefit pension plan are as follows:

<b>Three-Year Trend Information</b>			
<b>Fiscal Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Prepaid Pension Obligation</b>
2002	\$ 2,722,000	104 %	\$ (5,624,700)
2001	\$ (693,000)	0 %	\$ (5,506,500)
2000	\$ (409,000)	0 %	\$ (4,564,500)

	<b>2002</b>
Service cost - benefits earned during the year	\$ 142,820
Interest cost on projected benefit obligation	44,309
Expected return on assets	13,025
Net amortization and deferral	(6,465)
Annual pension cost	193,689
Contributions made	(209,420)
Additional minimum liability	689,672
Increase in pension obligation	673,941
Pension obligation, beginning of year	193,239
Pension obligation, end of year	<u>\$ 867,180</u>

The annual pension cost for the current year was determined as part of the August 2002 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 7.0 percent in 2002, 7.5 percent in 2001, and 8.0 percent in 2000. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.0 percent.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2002.

Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2002	\$ 193,689	108 %	\$ 867,180
2001	\$ 166,256	112 %	\$ 193,239
2000	\$ 59,116	87 %	\$ 260,672

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The Authority's current policy is not to fund the costs of these plans. The plans had assets of \$1,493,462 and an accrued liability of \$1,838,332.

The Virginia Resources Authority sponsors a retirement savings plan whereby 12 percent of eligible employees' salary is contributed on an annual basis. Total retirement savings expense was \$77,233 for the year ended June 30, 2002, a portion of which is reimbursed.

The Virginia Equine Center Foundation has a defined contribution plan which covers all full-time employees of the Foundation who have one year of service and are age twenty-one or older. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. Contributions to the plan are discretionary and the Foundation will determine the amount to contribute to the plan each year. Total contributions for the year ended June 30, 2002, were \$44,000.

## 11. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in three other employment benefit plans, Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (VRS). The VRS administers a fourth other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all four plans are the same as those described in Note 10 for pension plans. A separately issued financial report that includes financial statements for Group Life Insurance, Retiree Health Insurance Credit, and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

### Group Life Insurance

The Group Life Insurance Plan provides life insurance benefits for State employees, teachers, employees of political subdivisions participating in the VRS, State

police officers, judges, and other qualifying employees. In fiscal year 2002 there were approximately 97,857 state employees and retirees in the program.

As part of this plan, the State provides life insurance benefits for retired employees in accordance with Title 51.1 of the *Code of Virginia*. To be eligible, the employee must have retired or terminated employment after age 55 and have had five years of continuous service or retired because of disability. At retirement or termination, natural death coverage starts to reduce by 25 percent each year until coverage reaches 25 percent of its value at retirement or termination.

Postemployment life insurance benefits are advance funded on an actuarially determined basis using the aggregate cost actuarial method. Rates were determined in a June 30, 2000, actuarial valuation using the same actuarial assumptions used for determining pension plan contribution rates. The modified market value of plan assets was used for valuation purposes. Retirees are not required to contribute to the group life plan. The Commonwealth's actuarially required contribution rate for the current year was 0.98 percent of payroll. Contributions were suspended by the General Assembly effective April 1, 2002. This contribution covers premiums for active employees and actual death claims for retirees.

The accrued liabilities for postemployment death benefits actuarially determined through an actuarial valuation performed as of June 30, 2001, were \$1,657.4 million. The actuarial value of the program's assets available for benefits on that date was \$994.4 million, leaving a present value of future contributions of \$663.0 million. In April 2002, the General Assembly suspended contributions for the remainder of fiscal year 2002 through fiscal year 2004.

### Retiree Health Insurance Credit

The Retiree Health Insurance Credit Plan provides health insurance credits against the monthly health insurance premiums for retired State employees, State police officers, and judges with at least 15 years of creditable service on the current disbursement basis. Benefit provisions and eligibility requirements are established by Title 51.1-1400 of the *Code of Virginia*. Approximately 26,725 state retirees were receiving health insurance credits at June 30, 2002.

The monthly credit amounts to \$4.00 per year of service not to exceed a maximum allowance of \$120.00. The contribution rate was determined as part of the June 30, 2000, actuarial valuation that determined the pension plan contribution rates. The Commonwealth's actuarially required contribution rate for the current year was 1.21 percent of payroll. The Commonwealth recognized Retiree Health Insurance Credit expenses of \$57.6 million during the fiscal year ended June 30, 2002.

### Virginia Sickness and Disability Program

The Virginia Retirement System (System) administers the Virginia Sickness and Disability Program to provide income protection for absences due to sickness or disability from the first day on the job. After a seven calendar-day waiting period following the first incident of

disability, eligible employees receive short-term disability benefits ranging from 60 to 100 percent of compensation up to a maximum of 125 work days, based upon months of State service. After a 180 calendar-day waiting period (125 work days of short-term disability), eligible employees receive long-term disability benefits equal to 60 percent of compensation until they return to work, until age 65 (age 60 for State police officers), or until death.

The VSDP was established on January 1, 1999, for all full-time, classified State employees, including State police officers and other State law enforcement and corrections officers, hired on or after January 1, 1999. Part-time, classified employees who work at least 20 hours a week on a salaried basis and who accrue leave are also covered. Eligible State employees and State police officers of the Commonwealth employed prior to January 1, 1999, had the option to elect to participate in the VSDP or to remain in the Commonwealth's existing disability retirement and sick leave program (see Notes 10 and 14). Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers Retirement System (VaLORS).

Faculty of Virginia institutions of higher education, hired or appointed on or after January 1, 1999, who elected the VRS as their retirement plan, must make an irrevocable election to participate in the VSDP or in the institution's disability program. If there is no institution program, the faculty is covered under this program.

All State agencies are required to contribute to the cost of providing long-term disability benefits. Initial contribution requirements to fund the program were determined by the System's actuary based on an estimate of the amount of the liability for disability benefits that would transfer from the VRS and SPORS to the VSDP for the anticipated new participants in the VSDP. This contribution requirement was 0.83 percent of payroll for State and VaLORS employees and 1.10 percent of payroll for State police officers during the fiscal year. The Commonwealth recognized long-term disability expenses of \$11.6 million during the fiscal year. As of June 30, 2002, there were approximately 47,499 participants.

#### **Volunteer Firefighters' and Rescue Squad Workers' Fund**

Volunteer firefighters and rescue squad workers may participate in an optional postemployment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the VRS manages the investments of the Fund as custodian. Members of the plan contribute \$30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed twenty years. There was no appropriation in fiscal year 2002. At June 30, 2002, there were 624 workers participating in the Fund.

## **12. DEFERRED COMPENSATION PLANS**

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Virginia Retirement System (VRS) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The VRS contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliations, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the VRS for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the VRS has no fiduciary relationship with plan participants, plan assets of \$438.3 million are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan who have been employed at least one year. The match amount for an employee was established at 50 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was \$20 per pay period or \$40 per month. The fair value of assets in the cash match savings plan at June 30, 2002, was \$17.9 million, which is also excluded from the financial statements.

The Virginia Housing Development Authority (Major Component Unit) and the Virginia Resources Authority (Nonmajor Component Unit) have a deferred compensation plan available to all employees created in accordance with Internal Revenue Section 457. The Plan permits participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the Plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the financial statements.

The Virginia Port Authority (VPA) (Nonmajor Component Unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the Deferred Compensation Plan administered by the VRS as discussed above. The VPA Deferred Compensation Plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The VPA also offers a matching savings plan that covers



substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to 50 percent of the first 6 percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was \$93,679 for the fiscal year ended June 30, 2002. Further, the right to modify, alter, amend or terminate the Deferred Compensation Plan and Matching Savings Plan vests with the VPA Board of Commissioners. Effective January 1, 2002, the plans were amended in order to comply with the provisions in the Economic Growth and Tax Relief Reconciliation Act.

The third deferred compensation plan and second matching savings plan covers substantially all nonunion employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first 3 percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was \$247,649 for the fiscal year ended June 30, 2002.

### 13. COMMITMENTS

#### A. Construction Projects

##### Highway Projects

At June 30, 2002, the Department of Transportation (Primary Government) had contractual commitments of approximately \$1,942.0 million for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) Federal Funds – approximately 33.3 percent or \$647.5 million, (2) State Funds – approximately 59.8 percent or \$1,159.8 million, and (3) Proceeds from Bonds – approximately 6.9 percent or \$134.7 million.

##### Mass Transit Projects

At June 30, 2002, the Department of Rail and Public Transportation (Primary Government) had contractual commitments of approximately \$113.3 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: (1) Federal Funds – approximately 11 percent or \$12.8 million, and (2) State Funds – approximately 89 percent or \$100.5 million.

##### Port Projects

At June 30, 2002, the Virginia Port Authority (Nonmajor Component Unit) was committed to construction contracts totaling \$73.4 million.

##### Sanitation District Project

At June 30, 2002, the Hampton Roads Sanitation District Commission (Nonmajor Component Unit) was committed to construction programs totaling \$50.4 million.

### Higher Education Institutions

Many of the colleges and universities are committed to construction contracts. As of June 30, 2002, these commitments totaled approximately \$333.9 million.

#### B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2002, was \$63.3 million for governmental activities (including Internal Service Funds) and \$14.6 million for business-type activities. Rental expense for the discrete component units for the year ended June 30, 2002, was \$59.6 million. The Commonwealth has, as of June 30, 2002, the following minimum rental payments due under the above leases (dollars shown in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
2003	\$ 51,864	\$ 9,647	\$ 30,905
2004	41,440	5,823	23,352
2005	33,100	4,641	19,692
2006	20,372	3,190	15,741
2007	11,899	1,355	12,205
2008-2012	31,768	113	31,997
2013-2017	9,180	-	23,307
2018-2022	2,361	-	1,980
2023-2027	784	-	-
2028-2032	527	-	-
Total	<u>\$ 203,295</u>	<u>\$ 24,769</u>	<u>\$ 159,179</u>

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

#### C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2002, amounted to \$1.6 billion.

### 14. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours. The maximum compensation for annual leave

balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 11). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or \$5,000. All employees leaving State service are paid for accrued annual leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of GASB Codification, the monetary value of accumulated annual and sick leave and disability credits payable upon termination is included in the accompanying financial statements. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, amounts are segregated into two components – the amount due within one year and the amounts due in more than one year. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments for separations that occurred prior to June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 17). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2002, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held up to the allowable ceilings. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, an additional liability amount has been included for those employees remaining in the original sick leave program with less than 5 years of service based on the probability that they will eventually become vested. Also included in the liability is the Commonwealth's share of FICA taxes on leave balances for which employees will be compensated.

employees. The plan is accounted for in the Health Care – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2002, \$79.6 million is reported as the estimated claims payable for this fund. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.P. Changes in the balances of claims liabilities (reported in thousands of dollars) during the current and prior fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2001-2002 \$	74,044	\$ 536,562	\$ (530,998)	\$ 79,608
2000-2001 \$	57,084	\$ 483,924	\$ (466,964)	\$ 74,044

The second type of plan, risk management insurance, is administered by the Department of Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. This plan is accounted for in the Risk Management – Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. Risk management insurance includes workers' compensation, property, general (tort) liability, medical malpractice, and automobile plans. At June 30, 2002, \$178.3 million is reported as the estimated claims payable for these self-insurance plans. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (reported in thousands of dollars) during the current and prior fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2001-2002 \$	180,429	\$ 50,912	\$ (53,013)	\$ 178,328
2000-2001 \$	173,721	\$ 51,837	\$ (45,129)	\$ 180,429

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort, including general and automobile liability, liability is assumed to \$2,000,000 per occurrence. Medical malpractice liability is assumed to \$1,000,000 per occurrence. For property damage, Risk Management purchases \$400,000,000 of insurance with a \$1,000,000 deductible.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

The Virginia Port Authority (Nonmajor Component Unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of \$5,000,000 per claim, but is

## 15. INSURANCE

### A. Self-Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for State

obligated to pay the first \$1,000,000 of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to \$75,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$3,390,295.

## **B. Public Entity Risk Pools**

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 218 local government units participating in the pool. This includes 22 school districts, 27 counties, 82 cities/towns, and 87 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2002, \$14.9 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of Treasury, Division of Risk Management administers risk management pools for errors and omissions liability insurance and law enforcement professional liability insurance in accordance with Section 2.2-1839 of the *Code of Virginia*. They also administer a commuter rail liability pool for both the Northern Virginia and the Potomac & Rappahannock Transportation Commissions. These pools were established to provide an economical low-cost, internally managed alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to the approval of the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2002, there were 515 units of local government in the pool. This includes

6 cities, 50 towns, and 42 counties. The balance includes a large variety of boards, commissions, authorities, and special districts.

The pool has a minimum membership period of one year. However, a member group can cancel their membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with thirty days notice.

The pool is actuarially valued annually and is considered sound. Investment income is considered in the anticipation of premium deficiencies. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. If, however, the plan assets and reserves were to be exhausted, the members would be responsible for any deficits or liabilities.

For the liability insurance pool, local participation is voluntary and open to any political subdivision. The risk assumed by the local public entity pool for member liability is \$1,000,000 per occurrence. The commuter rail liability pool was established to fulfill the liabilities of the Commissions. As a result of the Commissions' agreement with several localities, participating localities contribute to the pool based on the number of residents riding the commuter rail and their total population. This pool assumes liability up to \$5,000,000 per occurrence, and commercial insurance has been purchased to pay larger claims subject to an annual aggregate limit of \$200,000,000.

At June 30, 2002, \$10.9 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

The following schedule (reported in thousands of dollars) shows the changes in claims liabilities for the past two fiscal years.

	<b>Local Choice Health Care</b>		<b>Risk Management</b>	
	<b>June 30, 2002</b>	<b>June 30, 2001</b>	<b>June 30, 2002</b>	<b>June 30, 2001</b>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$ 12,643	\$ 8,480	\$ 10,951	\$ 9,011
Incurring Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	95,860	87,222	5,700	4,417
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	(2,530)	1,008
Total Incurred Claims and Adjustment Expenses	95,860	87,222	3,170	5,425
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	93,617	83,059	550	336
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year	-	-	3,283	3,767
Total Payments	93,617	83,059	3,833	4,103
Change in Provision for Discounts	-	-	590	618
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted)	\$ 14,886	\$ 12,643	\$ 10,878	\$ 10,951
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	\$ 14,886	\$ 12,643	\$ 11,499	\$ 11,673

## 16. OTHER LIABILITIES

The following table (reported in thousands of dollars) summarizes Other Liabilities as of June 30, 2002.

	<b>Primary Government</b>			
	<b>General Fund</b>	<b>Federal Trust Fund</b>	<b>State Lottery</b>	<b>Virginia College Savings Plan</b>
Lottery Prizes Payable	-	-	43,205	-
Due to Program Participants, Escrows, and Providers	-	-	-	65
Medicaid Payable	184,352	193,970	-	-
Family Access to Medical Insurance Security Payable	2,069	4,009	-	-
Tuition Benefits Payable	-	-	-	-
Accrued Interest Payable	-	-	-	-
Tax Refunds Payable	226,549	-	-	-
Other Liabilities	-	-	-	-
Deposits Pending Distribution	2,346	12	-	-
Car Tax Refund Payable	30,032	-	-	-
Matured Debt Payable	-	-	-	-
Matured Principal and Interest Payable	-	-	-	-
Grants Payable	-	-	-	-
Total Other Liabilities	\$ 445,348	\$ 197,991	\$ 43,205	\$ 65

**Primary Government (continued)**

	<b>Pocahontas Parkway (2)</b>	<b>Unemployment Compensation Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Nonmajor Enterprise Funds</b>	<b>Internal Service Funds</b>
Lottery Prizes Payable	-	-	-	-	-
Due to Program Participants, Escrows, and Providers	-	30,868	-	-	-
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tuition Benefits Payable	-	-	-	-	-
Accrued Interest Payable	3,420	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Other Liabilities	15,715	-	596	88	1,251
Deposits Pending Distribution	-	-	1,768	101	-
Car Tax Refund Payable	-	-	-	-	-
Matured Debt Payable	-	-	15	-	-
Matured Principal and Interest Payable	-	-	-	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	<u>\$ 19,135</u>	<u>\$ 30,868</u>	<u>\$ 2,379</u>	<u>\$ 189</u>	<u>\$ 1,251</u>

**Primary Government (continued)**

	<b>Private Purpose Funds</b>	<b>Pension Trust Funds</b>	<b>Investment Trust Funds</b>	<b>Agency Funds</b>	<b>Total Primary Government (1)</b>
Lottery Prizes Payable	-	-	-	-	43,205
Due to Program Participants, Escrows, and Providers	73	11	-	387,237	418,254
Medicaid Payable	-	-	-	-	378,322
Family Access to Medical Insurance Security Payable	-	-	-	-	6,078
Tuition Benefits Payable	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	3,420
Tax Refunds Payable	-	-	-	-	226,549
Other Liabilities	-	918	1,512	5,430	25,510
Deposits Pending Distribution	-	-	-	12,197	16,424
Car Tax Refund Payable	-	-	-	-	30,032
Matured Debt Payable	-	-	-	-	15
Matured Principal and Interest Payable	-	-	-	-	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	<u>\$ 73</u>	<u>\$ 929</u>	<u>\$ 1,512</u>	<u>\$ 404,864</u>	<u>\$ 1,147,809</u>

*(Continued on next page)*

Note (1): Fiduciary liabilities of \$407,378 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, General Fund and Commonwealth Transportation Fund liabilities of \$501,766 and \$15,603, respectively, (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

Note (2): The \$15,715 represents an interfund liability to the Commonwealth Transportation Fund that will not be repaid within one year. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

**Other Liabilities (continued)**

	Component Units				
	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia	Virginia Polytechnic Institute & State University	Virginia Commonwealth University
Lottery Prizes Payable	-	-	-	-	-
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tuition Benefits Payable	-	-	-	-	-
Accrued Interest Payable	95,326	46,193	-	-	-
Tax Refunds Payable	-	-	-	-	-
Other Liabilities	11,972	7,473	12,440	23,525	61,743
Deposits Pending Distribution	-	-	133,744	4,629	23,799
Car Tax Refund Payable	-	-	-	-	-
Matured Debt Payable	-	-	-	-	-
Matured Principal and Interest Payable	-	-	-	-	2,755
Grants Payable	-	-	-	-	-
Total Other Liabilities	<u>\$ 107,298</u>	<u>\$ 53,666</u>	<u>\$ 146,184</u>	<u>\$ 28,154</u>	<u>\$ 88,297</u>

Component Units (continued)	
Nonmajor Component Units	Total Component Units
Lottery Prizes Payable	-
Due to Program Participants, Escrows, and Providers	-
Medicaid Payable	-
Family Access to Medical Insurance Security Payable	-
Tuition Benefits Payable	-
Accrued Interest Payable	15,235
Tax Refunds Payable	-
Other Liabilities	66,558
Deposits Pending Distribution	10,692
Car Tax Refund Payable	-
Matured Debt Payable	-
Matured Principal and Interest Payable	11,337
Grants Payable	462
Total Other Liabilities	<u>\$ 104,284</u>

\$ 527,883

## Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2002, the estimated liability related to Medicaid claims totaled \$378.4 million. Of this amount \$184.4 million is reflected in the General Fund (major) and \$194.0 million in the Federal Trust Special Revenue Fund (major).

## Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2002, the estimated liability related to claims totaled \$6.1 million. Of this amount, \$2.1 million is reflected in the General Fund (major) and \$4.0 million in the Federal Trust Special Revenue Fund (major).

## Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended December 31, 2001, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2002. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

## Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth will assume financial responsibility for the personal property taxes assessed by localities over a five-year period beginning in 1998. The amount reported on the balance sheet represents personal property taxes assessed by the localities before June 30, 2002, and paid by the Commonwealth after June 30, 2002. The majority of the amount pertains to the 2002 personal property taxes. However, some prior year reimbursements are also included due to delinquent taxpayer payments. The tax years and applicable rates are as follows:

2002	70.0%
2001	70.0%
2000	47.5%
1999	27.5%
1998	12.5%

The balance of Other Liabilities is spread among various other funds.

## 17. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of State appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by State appropriations in whole or in part, as in the case of certain debt of the VPA (Nonmajor Component Unit), VPBA (Primary Government), ITA (Nonmajor Component Unit), and VCBA (Nonmajor Component Unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various State colleges and universities (Component Units). Additionally, the 9(d) Transportation Bonds (Primary Government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly. The 9(d) Pocahontas Parkway Association Bonds (Primary Government) are special, limited obligations of the Association, secured by a gross revenue pledge and payable solely from revenues prior to payment of current expenses and from monies held in certain funds and accounts held in trust.

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bond issues and short-term debt supported by State tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve

fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Assets.

### Total Long-Term Liabilities

		Amount Due Within One Year (11)
<i>(Dollars in Thousands)</i>		
<b>Primary Government:</b>		
Governmental Activities: (1)		
<b>General Obligation Bonds (7)</b>		
9(b) Transportation Facilities	\$ 52,695	\$ 4,115
9(b) Public Facilities	399,005	30,750
9(c) Parking Facilities	9,605	765
9(c) Transportation Facilities (2)	117,992	9,804
Bond Anticipation Notes Payable	-	-
Total General Obligation Bonds	<u>579,297</u>	<u>45,434</u>
<b>Non-General Obligation Bonds - 9(d)</b>		
Transportation Debt (3)	1,418,900	66,640
Virginia Public Building Authority (2) (10)	958,141	65,465
Total Non-General Obligation Bonds	<u>2,377,041</u>	<u>132,105</u>
<b>Other Long-Term Obligations:</b>		
Pension Liability	302,664	-
Compensated Absences	306,972	141,553
Capital Lease Obligations	202,265	13,412
Regional Jail Financing Payable	28,974	2,092
Notes Payable	34,285	1,955
Installment Purchases Obligations	32,182	8,563
Industrial Development Authority Obligations	37,800	3,390
Other Liabilities	20,284	3,500
Total Other Long-Term Obligations	<u>965,426</u>	<u>174,465</u>
Total Governmental Activities (2)	<u>3,921,764</u>	<u>352,004</u>
Business-Type Activities: (2)		
<b>Non-General Obligation Bonds - 9(d)</b>		
Pocahontas Parkway Association Bonds (2) (6)	418,850	-
<b>Other Long-Term Obligations:</b>		
Pension Liability	6,389	-
Compensated Absences	8,084	3,301
Installment Purchases Obligations	17,861	3,776
Tuition Benefits Payable	781,827	20,300
Lottery Prizes Payable	449,694	57,151
Other	112	-
Total Other Long-Term Obligations	<u>1,263,967</u>	<u>84,528</u>
Total Business-Type Activities (2)	<u>1,682,817</u>	<u>84,528</u>
<b>Total Primary Government</b>	<u>5,604,581</u>	<u>436,532</u>



## Total Long-Term Liabilities

	Amount Due Within One Year (11)	
(Dollars in Thousands)		
Component Units:		
General Obligation Bonds (7)		
Higher Education Fund - 9(c) Bonds (1)	376,462	34,997
Non-General Obligation Bonds		
Higher Education Institutions - 9(d) (6) (12)	430,290	31,318
Virginia College Building Authority	354,890	46,615
Innovative Technology Authority	10,590	625
Virginia Port Authority (4)	187,385	10,710
Virginia Housing Development Authority (2) (5)	6,056,542	434,818
Virginia Resources Authority (2) (5)	758,573	25,641
Virginia Public School Authority (5)	2,090,485	135,481
Hampton Roads Sanitation District Commission (6)	152,978	15,121
Virginia Equine Center Foundation (6)	16,145	175
Virginia Biotechnology Research Park Authority (8)	102,210	3,610
Total Non-General Obligation Bonds	10,160,088	704,114
Other Long-Term Obligations:		
Pension Liability	136,708	-
Compensated Absences	182,603	94,124
Capital Lease Obligations	45,810	2,701
Notes Payable (6)	494,689	79,076
Installment Purchase Obligations	23,347	7,369
Bond Anticipation Notes (6)	895	-
Other Liabilities (6)	332,142	37,072
Total Other Long-Term Obligations	1,216,194	220,342
Total Component Units	11,752,744	959,453
Total Long-Term Liabilities	\$ 17,357,325	\$ 1,395,985

1. Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-Type Activities are considered Enterprise Funds.
2. Net of unamortized discounts.
3. This debt includes \$375.0 million that is not supported by taxes.
4. This debt includes \$93.3 million that is not supported by taxes.
5. This debt is not supported by taxes; however, \$1.278 billion from VHDA, \$432.1 million from VPSA, and \$534.7 million from VRA is considered moral obligation debt.
6. This debt is not supported by taxes.
7. Total general obligation debt of the Commonwealth is \$955.8 million.
8. This debt includes \$15.0 million that is not supported by taxes.
9. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of \$2.1 million and Virginia Port Authority of \$2.7 million. It does not include pension obligations from fiduciary funds of \$910,000.
10. This is net of the deferral of debt defeasance of \$12.478 million.
11. Amounts include any amortized discounts, premiums, and deferrals.
12. This amount includes VCBA's Equipment Leasing Program of \$9.165 million. The program is allocated to various higher education institutions.

## Primary Government

### Transportation Facilities Debt

Transportation Facilities Bonds include \$52,695,000 of 9(b) general obligation bonds, \$117,992,438 of 9(c) general obligation bonds, and \$1,418,900,000 of 9(d) revenue bonds. Principal and interest requirements for the current year totaled \$130,885,475. The Section 9(b) transportation facilities bonds represent Powhite Refunding Bonds, Series 1993A, which were issued to refund Series 1986 9(c) Transportation Facilities Bonds. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the Omer L. Hirst - Adelard L. Brault Expressway and the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U. S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The interest rates for these bonds range from 2.4 percent to 7.25 percent and the issuance dates range from June 28, 1989, to November 1, 2000.

The Commonwealth of Virginia Transportation Revenue Bonds, Series 2001A, 9(d) and Series 2001B, 9(d) were issued on October 10, 2001 in the amounts of \$58,650,000 and \$102,165,000, respectively. The Series 2001A Bonds were issued to fund construction of the Northern Virginia Transportation District Program. Series 2001B Bonds were issued to fund construction and improvement of U.S. Route 58. The interest rates for these Bonds range from 4.5 percent to 5.5 percent. Bonds mature on May 15 in the years 2002 through 2026.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(b), 9(c) and 9(d) bonds:

#### 9(b) TRANSPORTATION FACILITIES BONDS Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2003	\$ 4,115,000	\$ 2,575,993	\$ 6,690,993
2004	4,310,000	2,375,850	6,685,850
2005	4,550,000	2,160,935	6,710,935
2006	4,815,000	1,929,085	6,744,085
2007	5,065,000	1,682,085	6,747,085
2008-2012	29,840,000	4,070,428	33,910,428
Total	\$ 52,695,000	\$ 14,794,376	\$ 67,489,376

#### 9(c) TRANSPORTATION FACILITIES BONDS Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2003	\$ 9,804,000	\$ 5,170,570	\$ 14,974,570
2004	10,234,000	4,837,845	15,071,845
2005	10,619,000	4,479,974	15,098,974
2006	10,919,000	4,101,586	15,020,586
2007	10,934,000	3,701,220	14,635,220
2008-2012	32,628,000	13,562,920	46,190,920
2013-2017	25,420,000	6,901,738	32,321,738
2018-2022	12,255,000	1,608,994	13,863,994
Less:			
Unamortized Discount	(4,820,562)	-	(4,820,562)
Total	\$ 117,992,438	\$ 44,364,847	\$ 162,357,285

#### 9(d) TRANSPORTATION FACILITIES DEBT Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
2003	\$ 66,640,000	\$ 75,353,986	\$ 141,993,986
2004	70,045,000	71,826,269	141,871,269
2005	73,805,000	68,038,099	141,843,099
2006	77,770,000	63,998,343	141,768,343
2007	82,040,000	59,690,319	141,730,319
2008-2012	427,585,000	227,868,091	655,453,091
2013-2017	312,390,000	134,663,949	447,053,949
2018-2022	236,425,000	50,579,057	287,004,057
2023-2027	72,200,000	7,816,300	80,016,300
Total	\$ 1,418,900,000	\$ 759,834,413	\$ 2,178,734,413

### Pocahontas Parkway Association Bonds

The \$168,862,562 Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Current Interest Bonds, Series 1998A were issued on July 9, 1998. Bonds mature in annual installments on August 15 in the years 2005 through 2011, and 2026 through 2028. Interest is payable on each February 15 and August 15 beginning in 1999 at rates varying from 5.0 percent to 5.5 percent.

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, Senior Capital Appreciation Bonds, Series 1998B were issued on July 9, 1998 in the principal amount of \$148,310,627 and the maturity value of \$690,200,000. Bonds mature in annual installments on August 15 in the years 2012 through 2025, and 2029 through 2035. The Senior Capital Appreciation Bonds were issued at a discount to yield, approximately, 5.50 percent to 5.95 percent. Principal accreted for the year ended June 30, 2002, was \$10,379,301.

The Pocahontas Parkway Association Route 895 Connector Toll Road Revenue Bonds, First Tier Subordinate Capital Appreciation Bonds, Series 1998C were issued on July 9, 1998 in the principal amount of \$35,867,236 and the maturity value of \$137,300,000. Bonds mature in annual installments on August 15 in the years 2005 through 2035. The First Tier Subordinate Capital Appreciation Bonds were issued at a discount to yield, approximately, 5.40 percent to 6.25 percent. Principal accreted for the year ended June 30, 2002, was \$2,571,198.

The Second Tier Subordinate Toll Road Revenue Bond, Series 1998D was issued on July 9, 1998 in the principal amount of \$18,000,000 to the Commonwealth Transportation Board (CTB). The Series 1998D Bond was issued in exchange for \$18,000,000 loaned to the Association for paying certain non-construction costs of the Project, and shall mature on August 15, 2028. The Series 1998D Bond shall bear interest at a floating rate equal to the Commonwealth's Transportation Trust Fund Earnings Rate, compounded semiannually. The Series 1998D Bond shall bear interest from the date that amounts are advanced from the Series 1998D Bond Proceeds Account for application to non-construction costs of the Project on the amount of such advances until paid. Also earnings on the Series 1998D Bond Proceeds Account shall be transferred monthly to the Virginia Department of Transportation. The original proceeds disbursed for non-construction costs as of June 30, 2002, were \$17,600,000 and accrued interest was \$3,723,455. The monthly interest rate at June 30, 2002, was 5.36 percent.

During 2002, the Association issued a non-interest bearing Second Tier Subordinate Bond, Series 2001A to the Commonwealth for \$443,386. This amount represented previously incurred operating expenses for which the Association was to reimburse the Commonwealth. This Bond is being issued on a parity in terms of payment with other Second Tier Subordinate Bonds. This Bond is subordinate to the Senior Bonds and First Tier Subordinate Bonds and will be payable only after all payments of principal, accreted value, premium, if any, and interest on the Senior Bonds and First Tier Subordinate Bonds then due have been paid.

The Route 895 Connector Toll Road Revenue Bonds are special limited obligations of the Association, secured by a gross revenue pledge and payable solely from revenues and other property included in the Trust Estate. The Association is a private, non-stock, nonprofit corporation and has no taxing powers. Neither the 1998 nor the 2001 Bonds are a debt of the Commonwealth, the Virginia Department of Transportation, the CTB, or any other agency, instrumentality or political subdivision of the Commonwealth, moral or otherwise. And neither the full faith and credit nor taxing power of the Commonwealth, the Department, the CTB, or any agency is pledged to the payment of the principal of and interest of the 1998 nor 2001 Bonds.

The following schedule details the annual funding requirements necessary to repay the Series 1998A, 1998B, 1998C, 1998D, and 2001A bonds:

POCAHONTAS PARKWAY ASSOCIATION Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ -	\$ 9,121,250	\$ 9,121,250
2004	-	9,121,250	9,121,250
2005	-	9,121,250	9,121,250
2006	5,300,000	9,046,250	14,346,250
2007	8,000,000	8,841,250	16,841,250
2008-2012	61,200,000	38,568,125	99,768,125
2013-2017	102,700,000	32,037,500	134,737,500
2018-2022	140,400,000	32,037,500	172,437,500
2023-2027	185,500,000	31,039,250	216,539,250
2028-2032	269,243,386	4,488,000	273,731,386
2033-2037	243,300,000	-	243,300,000
Less:			
Unamortized Discount	(837,468)	-	(837,468)
Unaccreted Capital Appreciation Bonds	(595,955,938)	-	(595,955,938)
Total	\$ 418,849,980	\$ 183,421,625	\$ 602,271,605

### Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 1993 A and B, Series 1994, Series 1996, Series 1996 refunding, Series 1997, Series 1998 refunding, and Series 1998 bonds. Series 1993, 1994, 1996, 1997, 1998, and 1999A bonds were issued to fund construction projects for higher educational institutions, mental health, and park facilities. Principal and interest requirements for the current year totaled \$52,386,859. The interest rates for these bonds range from 3.2 percent to 6.4 percent and the issuance dates range from January 1, 1993, to October 20, 1999. The following schedule details the annual funding requirements necessary to repay these bonds:

9(b) PUBLIC FACILITIES BONDS Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 30,750,000	\$ 20,095,776	\$ 50,845,776
2004	30,785,000	18,513,354	49,298,354
2005	30,825,000	16,885,966	47,710,966
2006	30,865,000	15,246,716	46,111,716
2007	30,910,000	13,572,181	44,482,181
2008-2012	152,840,000	45,034,128	197,874,128
2013-2017	90,970,000	10,452,755	101,422,755
2018-2022	1,060,000	55,650	1,115,650
Total	\$ 399,005,000	\$ 139,856,526	\$ 538,861,526

### Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 1993B refunding bonds, Series 1996 and Series 1996 refunding bonds. Series 1991A bonds were issued to fund the State Corporation

Commission and the Bank Street parking decks operated by the Department of General Services. Series 1993B bonds were issued to advance refund outstanding 1991A series bonds. Series 1996 bonds were issued to fund the renovation of the Seventh and Marshall Street parking deck. The interest rates for these bonds range from 3.5 percent to 5.7 percent and the issuance dates range from December 8, 1993, to June 6, 1996. Current year principal and interest requirements totaled \$1,239,560.

The following schedule details the annual funding requirements necessary to repay these bonds:

9(c) PARKING FACILITIES BONDS Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 765,000	\$ 479,795	\$ 1,244,795
2004	800,000	442,733	1,242,733
2005	835,000	404,809	1,239,809
2006	880,000	365,028	1,245,028
2007	920,000	322,196	1,242,196
2008-2012	4,385,000	873,809	5,258,809
2013-2017	1,020,000	140,556	1,160,556
Total	\$ 9,605,000	\$ 3,028,926	\$ 12,633,926

### Virginia Public Building Authority

The Virginia Public Building Authority (VPBA) has issued Section 9(d) revenue bonds for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The interest rates for these bonds range from 3.75 percent to 6.6 percent and the issuance dates range from February 6, 1992, to August 8, 2001. Current year principal and interest requirements totaled \$111,814,480. The following schedule details the annual funding requirements necessary to repay these bonds:

9(d) VIRGINIA PUBLIC BUILDING AUTHORITY BONDS Debt Service Requirements to Maturity			
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 67,780,000	\$ 44,777,752	\$ 112,557,752
2004	71,600,000	41,111,906	112,711,906
2005	61,430,000	38,048,924	99,478,924
2006	63,785,000	35,641,333	99,426,333
2007	66,255,000	33,108,688	99,363,688
2008-2012	347,130,000	122,793,060	469,923,060
2013-2017	242,030,000	50,029,731	292,059,731
2018-2022	76,405,000	7,050,606	83,455,606
Less:			
Unamortized Discount	(25,796,323)	-	(25,796,323)
Deferral on Debt Defeasance	(12,477,727)	-	(12,477,727)
Total	\$ 958,140,950	\$ 372,562,000	\$ 1,330,702,950

### Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia*. The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual Reimbursement Agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements, whether up front or over time, are subject to appropriation by the General Assembly. The VPBA Bonds, Series 2001A were issued on August 1, 2001 in the amount of \$35,830,000. Interest rates for these Bonds range from 4.0 percent to 5.0 percent. Bonds mature on February 1 and August 1 in the years of 2002 through 2021.

The following schedule details the annual funding requirements necessary to repay these obligations:

REGIONAL JAILS FINANCING Financial Obligations to Maturity			
<i>Calendar Year Obligations</i>	<i>Capital Costs</i>	<i>Financing Costs</i>	<i>Total</i>
2003	\$ 2,092,123	\$ 1,545,018	\$ 3,637,141
2004	2,138,126	1,496,360	3,634,486
2005	2,189,198	1,444,844	3,634,042
2006	2,240,357	1,394,559	3,634,916
2007	2,296,599	1,336,041	3,632,640
2008-2012	12,564,814	5,603,978	18,168,792
2013-2017	5,453,174	377,551	5,830,725
Total	\$ 28,974,391	\$ 13,198,351	\$ 42,172,742

### Industrial Development Authority Obligations

The Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date is

July 27, 2000. Current year principal and interest requirements totaled \$6,792,103. The following schedule details the annual funding requirements necessary to repay these bonds:

NEWPORT NEWS INDUSTRIAL DEVELOPMENT AUTHORITY Debt Service Requirements to Maturity				
<i>Maturity</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$	3,390,000	\$ 1,900,684	\$ 5,290,684
2004		3,565,000	1,727,809	5,292,809
2005		3,745,000	1,545,296	5,290,296
2006		3,940,000	1,352,190	5,292,190
2007		4,150,000	1,144,390	5,294,390
2008-2012		19,010,000	2,157,770	21,167,770
Total	\$	37,800,000	\$ 9,828,139	\$ 47,628,139

## Component Units

### Higher Education Institution Bonds

Higher Educational Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (in thousands):

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	\$ 261,135
College and university debt backed exclusively by pledged revenues of an institution	159,990
Virginia College Building Authority Equipment Leasing Program	9,165
Total Higher Educational Institutional 9(d) debt	<u>\$ 430,290</u>

The interest rates for these bonds range from 2.4 percent to 9.25 percent and the issuance dates range from July 17, 1973, to October 16, 2001. The following schedules detail the annual funding requirements necessary to amortize Higher Educational Institution 9(c) and 9(d) bonds:

9(c) HIGHER EDUCATIONAL INSTITUTION BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$	34,457,000	\$ 18,140,569	\$ 52,597,569
2004		34,087,000	16,668,040	50,755,040
2005		29,606,000	15,218,050	44,824,050
2006		27,941,000	13,907,605	41,848,605
2007		27,506,000	12,700,580	40,206,580
2008-2012		126,498,000	42,329,350	168,827,350
2013-2017		70,690,000	17,123,406	87,813,406
2018-2022		25,965,000	4,020,925	29,985,925
2023-2027		3,110,000	223,250	3,333,250
Less: Unamortized Discount		(3,398,154)	-	(3,398,154)
Total	\$	376,461,846	\$ 140,331,775	\$ 516,793,621

9(d) HIGHER EDUCATIONAL INSTITUTION BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$	31,318,288	\$ 21,594,225	\$ 52,912,513
2004		26,466,259	20,556,437	47,022,696
2005		19,269,319	19,433,353	38,702,672
2006		20,212,472	18,477,555	38,690,027
2007		21,255,721	17,433,848	38,689,569
2008-2012		121,475,871	69,589,624	191,065,495
2013-2017		115,048,138	35,947,930	150,996,068
2018-2022		62,373,842	12,284,660	74,658,502
2023-2027		12,870,000	851,256	13,721,256
Total	\$	430,289,910	\$ 216,168,888	\$ 646,458,798

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$	46,615,000	\$ 15,759,361	\$ 62,374,361
2004		48,380,000	15,043,404	63,423,404
2005		41,580,000	12,619,959	54,199,959
2006		19,745,000	10,460,346	30,205,346
2007		20,600,000	9,609,829	30,209,829
2008-2012		58,920,000	38,349,844	97,269,844
2013-2017		75,110,000	22,155,939	97,265,939
2018-2022		43,940,000	5,792,525	49,732,525
Total	\$	354,890,000	\$ 129,791,207	\$ 484,681,207

### Innovative Technology Authority

The Innovative Technology Authority (ITA) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund \$11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize ITA bonds:

9(d) INNOVATIVE TECHNOLOGY AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>		<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$	625,000	\$ 780,337	\$ 1,405,337
2004		620,000	736,587	1,356,587
2005		710,000	692,691	1,402,691
2006		700,000	641,855	1,341,855
2007		790,000	591,525	1,381,525
2008-2012		4,770,000	2,008,735	6,778,735
2013-2017		2,375,000	270,345	2,645,345
Total	\$	10,590,000	\$ 5,722,075	\$ 16,312,075

## Governmental Funds – Discrete Component Units

### Virginia Port Authority

The Virginia Port Authority (VPA) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia*. The interest rates for these bonds range from 4.6 percent to 6.0 percent and the issuance dates range from October 23, 1996, to April 2, 1998. Series 1998 bonds were issued to advance refund \$71.0 million of the outstanding 1988 bonds. The following schedule details the annual funding requirements necessary to amortize VPA bonds:

9(d) VIRGINIA PORT AUTHORITY DEBT Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2003	\$ 10,710,000	\$ 9,866,116	\$	20,576,116
2004	11,225,000	9,343,227		20,568,227
2005	11,760,000	8,786,725		20,546,725
2006	12,335,000	8,163,725		20,498,725
2007	13,010,000	7,474,256		20,484,256
2008-2012	42,780,000	28,296,906		71,076,906
2013-2017	30,225,000	19,881,264		50,106,264
2018-2022	21,170,000	12,527,618		33,697,618
2023-2027	27,680,000	5,834,595		33,514,595
2028-2032	6,490,000	181,720		6,671,720
Total	<u>\$ 187,385,000</u>	<u>\$ 110,356,152</u>	<u>\$</u>	<u>297,741,152</u>

### Proprietary Funds – Discrete Component Units

The Virginia Housing Development Authority (VHDA), the Virginia Resources Authority (VRA) and the Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.10 percent to 10.88 percent and the origination dates range from December 1, 1973, to June 27, 2002. The following schedules detail the annual funding requirements necessary to amortize these bonds:

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal (1)</i>	<i>Interest</i>	<i>Total</i>	
2003	\$ 221,888,494	\$ 331,733,381	\$	553,621,875
2004	264,792,999	317,640,138		582,433,137
2005	281,545,087	302,780,641		584,325,728
2006	291,715,900	286,264,742		577,980,642
2007	292,447,259	269,341,606		561,788,865
2008-2012	1,420,984,628	1,098,683,661		2,519,668,289
2013-2017	1,319,701,195	685,668,228		2,005,369,423
2018-2022	799,904,556	362,041,593		1,161,946,149
2023-2027	367,242,199	184,198,246		551,440,445
2028-2032	117,881,641	103,507,938		221,389,579
2033-2037	121,977,933	73,807,172		195,785,105
2038-2042	56,059,828	56,032,110		112,091,938
2043-2047	536,342,594	45,785,728		582,128,322
Less:				
Unamortized Discount	(41,598,516)	-		(41,598,516)
Add:				
Accretion on Zero Coupon Bonds	4,985,088	-		4,985,088
Compound Interest Payable on Capital Appreciation Bonds	671,082	-		671,082
Total	<u>\$ 6,056,541,967</u>	<u>\$ 4,117,485,184</u>	<u>\$</u>	<u>10,174,027,151</u>

9(d) VIRGINIA RESOURCES AUTHORITY BONDS Debt Service Requirements to Maturity				
<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2003	\$ 22,905,000	\$ 38,512,012	\$	61,417,012
2004	37,445,000	36,268,183		73,713,183
2005	30,265,000	34,868,174		65,133,174
2006	31,555,000	33,504,464		65,059,464
2007	32,360,000	32,129,139		64,489,139
2008-2012	175,540,000	136,274,920		311,814,920
2013-2017	176,240,000	91,219,322		267,459,322
2018-2022	162,070,000	46,373,164		208,443,164
2023-2027	75,725,000	15,143,444		90,868,444
2028-2032	26,765,000	2,642,192		29,407,192
Less:				
Unamortized Discounts and Issuance Expenses	(10,893,520)	-		(10,893,520)
Unaccreted Capital Appreciation Bonds	(1,403,458)	-		(1,403,458)
Total	<u>\$ 758,573,022</u>	<u>\$ 466,935,014</u>	<u>\$</u>	<u>1,225,508,036</u>

**9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS**  
**Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 138,710,000	\$ 107,232,409	\$ 245,942,409
2004	145,805,000	99,451,385	245,256,385
2005	141,440,000	92,077,266	233,517,266
2006	140,465,000	84,776,610	225,241,610
2007	137,890,000	77,554,460	215,444,460
2008-2012	649,410,000	282,762,110	932,172,110
2013-2017	493,804,060	129,670,168	623,474,228
2018-2022	248,170,000	29,418,450	277,588,450
2023-2027	19,700,000	1,893,000	21,593,000
Less: Discount on Debt	(24,908,700)	-	(24,908,700)
<b>Total</b>	<b>\$ 2,090,485,360</b>	<b>\$ 904,835,858</b>	<b>\$ 2,995,321,218</b>

The Hampton Roads Sanitation District Commission issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993, and December 1, 1995. The original interest cost for these bonds ranged from 2.5 percent to 5.07 percent. The following schedule details the annual funding requirements necessary to amortize these bonds:

**HAMPTON ROADS SANITATION DISTRICT COMMISSION**  
**Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 15,121,000	\$ 6,924,000	\$ 22,045,000
2004	11,156,000	6,411,000	17,567,000
2005	10,289,000	5,932,000	16,221,000
2006	10,645,000	5,441,000	16,086,000
2007	11,125,000	4,922,000	16,047,000
2008-2012	39,846,000	18,459,000	58,305,000
2013-2017	32,405,000	9,069,000	41,474,000
2018-2022	15,409,000	3,967,000	19,376,000
2023-2027	6,982,000	352,000	7,334,000
<b>Total</b>	<b>\$ 152,978,000</b>	<b>\$ 61,477,000</b>	<b>\$ 214,455,000</b>

The Virginia Equine Center Foundation issued Series 1992, 1993, and 2001 IDA of Rockbridge County Virginia Horse Center Revenue Bonds. Coupon interest rates range from 4.0 percent to 8.0 percent.

**VIRGINIA EQUINE CENTER FOUNDATION**  
**Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 175,000	\$ 543,717	\$ 718,717
2004	195,000	537,795	732,795
2005	205,000	531,167	736,167
2006	1,535,000	524,186	2,059,186
2007	515,000	476,426	991,426
2008-2012	3,135,000	2,099,146	5,234,146
2013-2017	4,330,000	1,496,383	5,826,383
2018-2022	6,055,227	646,126	6,701,353
<b>Total</b>	<b>\$ 16,145,227</b>	<b>\$ 6,854,946</b>	<b>\$ 23,000,173</b>

(1) Interest information is not available.

The Virginia Biotechnology Research Park Authority issued Series 1996, 1998, 1999A, 1999B, and 2001 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 4.0 percent to 6.4 percent.

**VIRGINIA BIOTECHNOLOGY RESEARCH PARK AUTHORITY**  
**Debt Service Requirements to Maturity**

<i>Maturity</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2003	\$ 3,610,000	\$ 5,079,253	\$ 8,689,253
2004	3,780,000	4,903,612	8,683,612
2005	3,975,000	4,717,394	8,692,394
2006	4,185,000	4,516,773	8,701,773
2007	4,405,000	4,303,530	8,708,530
2008-2012	25,920,000	18,066,268	43,986,268
2013-2017	31,210,000	10,406,904	41,616,904
2018-2022	25,125,000	2,950,400	28,075,400
<b>Total</b>	<b>\$ 102,210,000</b>	<b>\$ 54,944,134</b>	<b>\$ 157,154,134</b>

Total principal outstanding at June 30, 2002, on all Component Unit bonds amounted to \$10.5 billion.

The following schedule summarizes the changes in long-term liabilities:

**Schedule of Changes in Long-term Debt and Obligations (1) (3)**

(Dollars in Thousands)

	Balance July 1, as restated (2)	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
<b>Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>					
General Obligation Bonds - 9(b), and 9(c):					
Public Facilities Bonds	\$ 429,725	\$ -	\$ (30,720)	\$ 399,005	\$ 30,750
Parking Facilities Bonds, Series 1991A	10,325	-	(720)	9,605	765
Transportation Facilities Bonds (Net of Unamortized Discount of \$4,821)	182,904	1,262	(13,479)	170,687	13,919
Total General Obligation Bonds	622,954	1,262	(44,919)	579,297	45,434
<b>Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>					
<b>Debt:</b>					
Non-General Obligation Bonds - 9(d)					
Transportation Facilities Bonds	1,291,835	160,815	(33,750)	1,418,900	66,640
Virginia Public Building Authority Bonds (Net of Unamortized Discount of \$25,796)	994,801	35,830	(72,490)	958,141	65,465
Regional Jails Financing Payable	31,017	-	(2,043)	28,974	2,092
Industrial Development Authority Obligations	42,490	-	(4,690)	37,800	3,390
Installment Purchases	33,160	15,042	(16,020)	32,182	8,563
Notes Payable - Virginia Public Broadcasting Board	23,840	-	(1,880)	21,960	1,955
Notes Payable - Transportation	12,325	-	-	12,325	-
<b>Obligations:</b>					
Compensated Absences	301,182	9,302	(3,512)	306,972	141,553
Capital Lease Obligations	211,422	3,606	(12,763)	202,265	13,412
Pension Liability	182,081	120,583	-	302,664	-
Other	20,104	180	-	20,284	3,500
Total Long-Term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	3,144,257	345,358	(147,148)	3,342,467	306,570
<b>Total Governmental Activities</b>	<b>3,767,211</b>	<b>346,620</b>	<b>(192,067)</b>	<b>3,921,764</b>	<b>352,004</b>
<b>Business-type Activities:</b>					
<b>Long-term Debt / Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:</b>					
<b>Debt:</b>					
Non-General Obligation Bonds - 9(d)					
Pocahontas Parkway Association Bonds	405,460	13,390	-	418,850	-
Installment Purchases	11,398	8,679	(2,216)	17,861	3,776
<b>Obligations:</b>					
Compensated Absences	7,764	3,850	(3,530)	8,084	3,301
Pension Liability	3,926	2,463	-	6,389	-
Lottery Prizes Payable	461,643	13,348	(25,297)	449,694	57,151
Tuition Benefits Payable	530,970	261,683	(10,826)	781,827	20,300
Other	-	112	-	112	-
Total Business-Type Activities	1,421,161	303,525	(41,869)	1,682,817	84,528
<b>Total Primary Government</b>	<b>\$ 5,188,372</b>	<b>\$ 650,145</b>	<b>\$ (233,936)</b>	<b>\$ 5,604,581</b>	<b>\$ 436,532</b>

- (1) Pursuant to GASB Statement No. 34, governmental activities include Internal Service Funds. Business-Type Activities are considered Enterprise Funds.
- (2) Beginning balance has been adjusted for internal service funds (for governmental activities) and enterprise funds (for business-type activities).
- (3) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and special revenue funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the totals for governmental activities schedules above. Enterprise funds, or business-type activities, are self supporting funds. Accordingly, long-term liabilities are paid from each respective fund.



## Schedule of Changes in Long-term Debt and Obligations

(Dollars in Thousands)

	Balance July 1, as restated (1)	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30	Due Within One Year
<b>Component Units</b>					
<b>Long-term Debt Bearing the Pledge of the</b>					
<b>Full Faith and Credit of the Commonwealth:</b>					
General Obligation Bonds - Higher Education 9(c):	\$ 345,154	\$ 65,635	\$ (34,327)	\$ 376,462	\$ 34,997
<b>Long-Term Debt / Obligations Not Bearing the Pledge</b>					
<b>of the Full Faith and Credit of the Commonwealth:</b>					
<b>Debt:</b>					
Bonds	9,458,451	2,305,698	(1,604,061)	10,160,088	704,114
Installment Purchase Obligations	26,449	7,792	(10,894)	23,347	7,369
Capital Lease Obligations	45,439	3,259	(2,888)	45,810	2,701
Notes Payable	402,327	147,403	(55,041)	494,689	79,076
<b>Obligations:</b>					
Compensated Absences	177,159	116,179	(110,735)	182,603	94,124
Pension Liability	101,517	35,698	(507)	136,708	-
Bond Anticipation Notes	-	895	-	895	-
Other	328,623	171,696	(168,177)	332,142	37,072
<b>Total Component Units</b>	<u>\$ 10,885,119</u>	<u>\$ 2,854,255</u>	<u>\$ (1,986,630)</u>	<u>\$ 11,752,744</u>	<u>\$ 959,453</u>

(1) Beginning balances have been restated to reflect higher education and proprietary component units.

### Bond Defeasance

GASBS No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2002, there were \$308.2 million in bonds from Primary Government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were \$323.9 million in bonds outstanding considered defeased from the Component Units.

### Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the Federal government. The U. S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the Federal government. Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least once every five years over the life of the bonds. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. Governmental issuers may elect to pay a penalty in lieu of rebate. In either case if the issuer meets the applicable spending schedule, the issuer

retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During the year, the Commonwealth paid \$347,002 to the Federal government for rebate liability on Commonwealth general obligation bonds. The Virginia Public Building Authority made no rebate payments during the year. The Virginia College Building Authority remitted \$119,763 in rebate liability on its Series 1996 bonds.

Rebate liability on bonds of the Virginia Public School Authority (Component Unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, \$2,034,298 was paid to the Federal government for rebate on various VPSA School Financing Bonds.

### Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2002, are shown in the following table (dollars

shown in thousands). There were no capital lease amounts associated with business-type activities.

	<b>Governmental Activities</b>	<b>Component Units</b>
2003	\$ 28,275	\$ 5,339
2004	24,608	5,331
2005	23,746	5,246
2006	23,061	4,868
2007	22,464	4,836
2008-2012	104,076	22,371
2013-2017	88,103	16,241
2018-2022	8,819	3,695
Total Gross Minimum Lease Payments	323,152	67,927
Less: Amount Representing Executory Costs	3,857	9
Net Minimum Lease Payments	319,295	67,918
Less: Amount Representing Interest	117,030	22,108
Present Value of Net Minimum Lease Payments	<u>\$ 202,265</u>	<u>\$ 45,810</u>

At June 30, 2002, fixed assets purchased under capital leases were included in depreciable capital assets as follows (dollars shown in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

<b>Fund/Account Group</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
<b>Governmental Activities:</b>			
Gross Capital Assets	\$ 248,525	\$ 572	\$ 249,097
Less: Accumulated Depreciation	50,506	323	50,829
<b>Total Governmental Activities</b>	<u>\$ 198,019</u>	<u>\$ 249</u>	<u>\$ 198,268</u>
<b>Component Units:</b>			
Gross Capital Assets	\$ 27,911	\$ 26,876	\$ 54,787
Less: Accumulated Depreciation	2,900	8,856	11,756
<b>Total Component Units</b>	<u>\$ 25,011</u>	<u>\$ 18,020</u>	<u>\$ 43,031</u>

## Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars shown in thousands):

<b>Primary Government</b>	
Transportation Note	\$ 12,325
Virginia Public Broadcasting Board Note	21,960
Installment Notes	50,043
<b>Total Primary Government</b>	<u>84,328</u>
<b>Component Units</b>	
Virginia Public School Authority	151,195
University of Virginia	80,990
Virginia Polytechnic Institute and State University	50,385
Virginia Commonwealth University	47,940
Nonmajor Component Units	164,179
Installment Notes	23,347
<b>Total Component Units</b>	<u>518,036</u>
<b>Total Notes Payable</b>	<u>\$ 602,364</u>

The Transportation (Primary Government) Note listed above represents an interest free note payable to Fairfax County, Virginia, of \$4,325,000 which was issued pursuant to the State Revenue Bond Act, Article 5, Title 33.1, *Code of Virginia* to pay for the acquisition and construction of the Omer L. Hirst - Adelard L. Brault Expressway. This note is to be repaid on December 1, 2008. Additionally, the Virginia Department of Transportation (Primary Government) entered into an interest free note payable to Chesterfield County, Virginia, of \$8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Virginia Public Broadcasting Board (Primary Government) note listed above represents a loan agreement entered into with the Harrisonburg Industrial Development Authority for \$23,840,000. The purpose of the loan was to grant funds to Virginia's public television stations to assist with the cost of conversion to the Federal Communication Commission's new digital standard. The agreement was entered into February 27, 2001 and has a variable rate of interest. The General Assembly authorized these grants in Chapter 1073 of the 2000 Appropriation Act.

The Virginia Public School Authority (Major Component Unit) notes of \$151,195,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (Major Special Revenue Fund).

An additional amount of \$343,494,000 is comprised primarily of Higher Education (Component Unit) promissory notes with the Virginia College Building Authority (Nonmajor Component Unit) to finance the

construction of various higher education facilities. The principal amount of \$311,285,000 with interest rates ranging from 3.0 percent to 6.0 percent shall be paid semi-annually. The final principal payment is due in 2026. Further, the Virginia Biotechnology Research Park Authority (Nonmajor Component Unit) has a note payable to private parties for \$125,000 for the purchase of property. The interest rate is 7.0 percent, and the note is due in 2005.

The Higher Education (Component Unit) also has notes payable. Virginia Commonwealth University (Major Component Unit) has a \$23,000,000 line of credit with First Union National Bank. The line of credit expires in 2003 and has an interest rate of LIBOR plus 0.75 percent or 2.5887 percent. The College of William and Mary (Nonmajor Component Unit) has a note payable of \$6,311,700 with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system. This note matures in 2008 and has an interest rate of 5.82 percent. Virginia State University (Nonmajor Component Unit) has a note payable of \$2,629,472, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. Norfolk State University (Nonmajor Component Unit) has a note payable of \$144,418, which is the result of an agreement with the City of Norfolk to purchase the Brambleton Center. The loan is payable in six full scholarships each year varying from \$4,593 to \$16,998 with the final amount due in 2020.

Installment notes have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment note is subject to funding by the General Assembly. Installment notes represent \$73,390,339 of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment notes.

#### Installment Purchases - Governmental Funds

June 30, 2002

Maturity	Principal	Interest	Total
2003	\$ 8,562,218	\$ 1,340,493	\$ 9,902,711
2004	6,288,756	1,014,549	7,303,305
2005	4,509,182	785,544	5,294,726
2006	4,134,201	590,946	4,725,147
2007	3,669,025	397,129	4,066,154
2008-2012	4,993,075	537,395	5,530,470
2013-2017	25,575	317	25,892
Total	<u>\$ 32,182,032</u>	<u>\$ 4,666,373</u>	<u>\$ 36,848,405</u>

#### Installment Purchases - Business Type Activities

June 30, 2002

Maturity	Principal	Interest	Total
2003	\$ 3,776,262	\$ 703,143	\$ 4,479,405
2004	3,943,731	530,990	4,474,721
2005	4,118,641	356,081	4,474,722
2006	4,301,326	173,395	4,474,721
2007	1,721,318	35,838	1,757,156
Total	<u>\$ 17,861,278</u>	<u>\$ 1,799,447</u>	<u>\$ 19,660,725</u>

#### Installment Purchases - Component Units

June 30, 2002

Maturity	Principal	Interest	Total
2003	\$ 7,368,436	\$ 946,396	\$ 8,314,832
2004	6,264,694	633,182	6,897,876
2005	4,253,506	361,475	4,614,981
2006	2,739,355	193,576	2,932,931
2007	2,093,877	80,547	2,174,424
2008-2012	627,161	9,781	636,942
Total	<u>\$ 23,347,029</u>	<u>\$ 2,224,957</u>	<u>\$ 25,571,986</u>

#### Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2002 are shown in the following table:

	Lottery	For Life	Total
Due within one year	\$ 56,003,064	\$ 1,148,390	\$ 57,151,454
Due in subsequent years	378,670,483	13,872,028	392,542,511
Total (present value)	434,673,547	15,020,418	449,693,965
Add:			
Interest to Maturity	203,925,453	15,065,582	218,991,035
Lottery Prizes Payable at Maturity	<u>\$ 638,599,000</u>	<u>\$ 30,086,000</u>	<u>\$ 668,685,000</u>

## Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at State higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the State's higher education institutions.

At June 30, 2002, tuition benefits payable of \$781.8 million have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of \$282.0 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

## 18. OTHER REVENUE

The following table summarizes Other Revenue as of June 30, 2002.

*(Dollars in Thousands)*

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts
<b>Primary Government:</b>				
General Fund	\$ 406	\$ 142,036	\$ 9,059	\$ -
Major Special Revenue Funds:				
Commonwealth Transportation Trust	22,745	12,101	49,008	-
Federal Trust	-	32	-	-
Literary	-	140,207	-	-
Major Enterprise Funds:				
Pocahontas Parkway	-	-	-	-
Nonmajor Governmental Funds	76,092	35,485	54,370	3,620
Nonmajor Enterprise Funds	-	2,783	-	-
Internal Service Funds	-	-	-	-
Private Purpose	-	-	-	-
Pension Trust	-	-	-	-
Total Primary Government	<u>\$ 99,243</u>	<u>\$ 332,644</u>	<u>\$ 112,437</u>	<u>\$ 3,620</u>

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<u>Sales of Property</u>	<u>Contributions</u>	<u>Tobacco Master Settlement</u>	<u>Taxes</u>	<u>Other</u>	<u>Total Other Revenue</u>
\$ 281	\$ -	\$ 59,846	\$ -	\$ 39,599	\$ 251,227
2,102	-	-	-	27,466	113,422
100	-	-	-	49,819	49,951
-	-	-	-	29	140,236
-	-	-	-	550	550
25,543	-	-	-	808,199	1,003,309
-	1,319	-	2,821	1,211	8,134
-	-	-	-	27	27
258	-	-	-	738	996
-	-	-	-	286	286
<u>\$ 28,284</u>	<u>\$ 1,319</u>	<u>\$ 59,846</u>	<u>\$ 2,821</u>	<u>\$ 927,924</u>	<u>\$ 1,568,138</u>

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## 19. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense as of June 30, 2002.

*(Dollars in Thousands)*

	<u>Insurance Claims</u>	<u>Lottery Prize Expense</u>	<u>Total Prizes and Claims</u>
<b>Business-type Activities:</b>			
Major Enterprise Funds:			
State Lottery	\$ -	\$ 604,534	\$ 604,534
Unemployment Compensation	656,332	-	656,332
Nonmajor Enterprise Funds	100,069	-	100,069
Internal Service Funds	586,579	-	586,579
Total Business-type Activities	<u>\$ 1,342,980</u>	<u>\$ 604,534</u>	<u>\$ 1,947,514</u>

## 20. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense as of June 30, 2002.

*(Dollars in Thousands)*

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total Depreciation and Amortization</u>
<b>Business-type Activities:</b>			
Major Enterprise Funds:			
State Lottery	\$ 5,795	\$ 66	\$ 5,861
Virginia College Savings Plan	45	-	45
Pocahontas Parkway	-	306	306
Nonmajor Enterprise Funds	5,216	-	5,216
Internal Service Funds	16,540	-	16,540
Total Business-type Activities	<u>\$ 27,596</u>	<u>\$ 372</u>	<u>\$ 27,968</u>

## 21. OTHER EXPENSES

The following table summarizes Other Expenses as of June 30, 2002.

(Dollars in Thousands)

	Grants and Distributions to Localities	Expendable Equipment	Other	Total Other Expenses
<b>Business-type Activities:</b>				
Major Enterprise Funds:				
State Lottery	\$ -	\$ 265	\$ -	\$ 265
Virginia College Savings Plan	-	26	121	147
Nonmajor Enterprise Funds	128	1,822	996	2,946
Internal Service Funds	1,250	2,163	711	4,124
Total Business-type Activities	<u>\$ 1,378</u>	<u>\$ 4,276</u>	<u>\$ 1,828</u>	<u>\$ 7,482</u>

## 22. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses as of June 30, 2002.

(Dollars in Thousands)

	Gain (Loss) on Sale of Fixed Assets	Reed Act Receipts	Reimbursement to Federal Government	Other	Total Non- Operating Revenue/ Expenses
<b>Business-type Activities:</b>					
Major Enterprise Funds:					
State Lottery	\$ -	\$ -	\$ -	\$ 210	\$ 210
Unemployment Compensation	-	216,527	-	-	216,527
Nonmajor Enterprise Funds	(3)	-	-	(379)	(382)
Internal Service Funds	(1,829)	-	(1,271)	(258)	(3,358)
Total Business-type Activities	<u>\$ (1,832)</u>	<u>\$ 216,527</u>	<u>\$ (1,271)</u>	<u>\$ (427)</u>	<u>\$ 212,997</u>

## 23. APPROPRIATION ACT TRANSFERS

Chapter 814, 2002 Acts of Assembly, requires certain amounts to be transferred to or from the General Fund during the year from or to the nongeneral funds. Some of these transfers are to reimburse the General Fund for expenses incurred on behalf of those nongeneral funds. Other transfers are mandated in order to shift amounts between nongeneral funds and the General Fund. Most Appropriation Act transfers are included in Operating Transfer activity. Following is a schedule of the major items that make up Appropriation Act Transfers (dollars in millions):

	Amount Transferred To (From) General Fund
Lottery Profits	\$ 366.7
Medicaid Intergovernmental Transfers	259.1
ABC Transfer and Net Profits	39.9
VRS Rate Savings and Dormant Accounts	26.2
Public School Literary Fund	9.2
Central Services Agencies	7.2
Chesapeake Bay Improvement	6.4
Contract Prisoners Special Revenue Fund	5.9
Local Sales Tax Compliance	5.4
Other Transfers	38.2
Transfer to the Game Protection Fund	(17.7)
Family Access to Medical Insurance Security	(14.1)
Deficit Loan Repayment	(5.0)
Total Appropriation Act Transfers	\$ 727.4

## 24. SPECIAL ITEMS

Special items are significant transactions or other events that are either unusual in nature or infrequent in occurrence and within management's control. During the fiscal year, the University of Virginia (Major Component Unit) recognized a loss on sale of an affiliated company of \$4.8 million. The College of William & Mary (Nonmajor Component Unit) recognized a \$5.9 million asset impairment loss resulting from the termination of a software development project. James Madison University (Nonmajor Component Unit) recognized a \$3.0 million loss resulting from the sale of a capital asset.

## 25. ON-BEHALF PAYMENTS - HIGHER EDUCATION (COMPONENT UNIT)

Higher Education recognized various foundation and association on-behalf payments for fringe benefits and salaries during fiscal year 2002 totaling \$1,652,674. This activity was recorded as General Revenue - Unrestricted Grants and Contributions in the amount of \$846,927; Program Revenue - Operating Grants and Contributions in the amount of \$762,310; and Program Revenue - Charges for Services in the amount of \$43,437, with corresponding expenditures.

## 26. RESTATEMENT OF BEGINNING BALANCES

The Commonwealth implemented the following new accounting standards during the fiscal year:

- GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*;
- GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*;
- GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and,
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

GASB Statements No. 34, 35 and 37 establish new financial reporting standards for governments and public higher education institutions. The new requirements represent significant changes in the financial reporting model used by state governments and public institutions, including numerous changes to the reporting funds and financial statement formats. In addition, the former fixed asset and long-term debt account groups have been eliminated. The data previously reported in these account groups are now reported in the Government-wide statements. As a result of the fund reclassifications, numerous adjustments were required to the prior period balances.

GASB Statement No. 38 requires certain note disclosures to accompany financial statements prepared in conformance with GASB Statement No. 34.

The provisions of the new reporting standards have been incorporated into the financial statements and accompanying notes. The following tables summarize the changes in fund equities as previously reported on the Combined Balance Sheet in the column entitled, "Change in Reporting Requirements."

The beginning fund balance/net assets restatements resulted from the following:

- The General Fund has been restated due to a change in estimate related to tax refund payable calculations.
- As a result of the GASB Statement No. 34 implementation, all Commonwealth funds were evaluated to ensure appropriate fund classifications had been applied. As a result of this analysis, several funds were improperly segregated between the Other and Dedicated Special Revenue Funds. The remaining restatements are due to individually insignificant errors.
- The Special Revenue and Capital Projects Funds have been restated to reflect the elimination of VPBA's (Blended Component Unit) general fund. Effective for fiscal year 2002, all activity previously



reported as a Special Revenue Fund will be reported as a Capital Projects Fund.

- The Enterprise Fund was restated due to an error for the Risk Management Fund.
- The Internal Service Fund was restated due to errors discovered with the transfer of Fleet Management from the Virginia Department of Transportation to the Department of General Services. The remaining restatement is due to an error for the Risk Management Fund.
- The Investment Trust Fund was restated due to the improper classifications of three accounts.

- The change in reporting entity resulted from an organizational restructure affecting the Virginia Commonwealth University (University) and the Virginia Commonwealth University Health Systems Authority (Authority). The University's Board assumed statutory responsibility for the Authority, and as a result, the Authority became a component unit of the University. The Authority's information has been incorporated with the University data, and the net assets have been restated to reflect this reporting change.

**Beginning Fund Balance Restatement  
Governmental Funds**

*(Dollars in Thousands)*

	<b>Balance as of June 30, 2001</b>	<b>Change in Estimate</b>	<b>Change in Reporting Requirements (GASB 34)</b>	<b>Change in Reporting Entity</b>	<b>Balance June 30, 2001 as restated</b>
<b>Major Governmental Funds:</b>					
General Fund	\$ 553,759	\$ 8,773	\$ -	\$ -	\$ 562,532
Special Revenue Funds:					
Commonwealth Transportation Fund	964,512	-	197	-	964,709
Federal Trust Fund	15,833	-	-	-	15,833
Literary Fund	510,127	-	-	-	510,127
<b>Total Major Funds</b>	<b>2,044,231</b>	<b>8,773</b>	<b>197</b>	<b>-</b>	<b>2,053,201</b>
<b>Nonmajor Governmental Funds:</b>					
Special Revenue Funds:					
Dedicated Special Revenue Fund	208,863	-	(14,174)	-	194,689
Other Special Revenue Fund	237,211	-	91,212	-	328,423
Virginia Public Building Authority Fund	89,785	-	(89,785)	-	-
Virginia Land Conservation Foundation Fund	4,240	-	-	-	4,240
Virginia Historic Preservation Foundation	-	-	4	-	4
Virginia State Parks Foundation	-	-	332	-	332
Total Special Revenue	540,099	-	(12,411)	-	527,688
Debt Service Funds:					
Primary Government	18,530	-	-	-	18,530
Virginia Public Building Authority	58	-	-	-	58
Total Debt Service	18,588	-	-	-	18,588
Capital Project Funds:					
Primary Government	11,070	-	3,757	-	14,827
Virginia Public Building Authority	23,651	-	89,785	-	113,436
Total Capital Projects	34,721	-	93,542	-	128,263
Permanent Funds:					
Commonwealth Health Research Fund	-	-	27,642	-	27,642
Mental Health Endowment Funds	-	-	263	-	263
Virginia Arts Foundation	-	-	96	-	96
Total Permanent Funds	-	-	28,001	-	28,001
<b>Total Non-Major Funds</b>	<b>593,408</b>	<b>-</b>	<b>109,132</b>	<b>-</b>	<b>702,540</b>
<b>Total Governmental Funds</b>	<b>\$ 2,637,639</b>	<b>\$ 8,773</b>	<b>\$ 109,329</b>	<b>\$ -</b>	<b>\$ 2,755,741</b>

*(Continued on next page)*

# Restatement of Beginning Balances (continued)

## Beginning Net Assets Restatement Business-Type Activities

(Dollars in Thousands)

	Balance as of June 30, 2001	Correction of Prior Year Errors	Change in Reporting Requirements (GASB 34)	Change in Reporting Entity	Balance June 30, 2001 as restated
<b>Major Enterprise Funds:</b>					
State Lottery Department	\$ (1,029)	\$ -	\$ -	\$ -	\$ (1,029)
Virginia College Savings Plan	33,413	-	8,000	-	41,413
Pocahontas Parkway Association	(28,271)	-	-	-	(28,271)
Unemployment Compensation Fund	-	-	1,061,717	-	1,061,717
<b>Nonmajor Enterprise Funds:</b>					
Department of Alcoholic Beverage Control	(3,336)	-	1,600	-	(1,736)
Risk Management	23,872	(89)	-	-	23,783
Local Choice Health Care Program	1,622	-	-	-	1,622
Virginia Industries for the Blind	2,778	-	1,740	-	4,518
Consolidated Laboratory	(16)	-	340	-	324
eVA Procurement System	1	-	-	-	1
Department of Environmental Quality	8,961	-	-	-	8,961
Wireless E-911 Service Board	41,114	-	-	-	41,114
Virginia Museum of Fine Arts	1,457	-	-	-	1,457
Science Museum of Virginia	179	-	-	-	179
Mental Health Local Funds	-	328	-	-	328
Division of Legislative Services	9	-	-	-	9
Virginia School for the Deaf and Blind - Staunton	3	-	-	-	3
Virginia Historic Preservation Foundation	4	(4)	-	-	-
Virginia State Parks Foundation	318	(318)	-	-	-
<b>Total Nonmajor Enterprise Funds</b>	<b>76,966</b>	<b>(83)</b>	<b>3,680</b>	<b>-</b>	<b>80,563</b>
<b>Total Enterprise Funds</b>	<b>\$ 81,079</b>	<b>\$ (83)</b>	<b>\$ 1,073,397</b>	<b>\$ -</b>	<b>\$ 1,154,393</b>
<b>Internal Service Funds:</b>					
Department of Information Technology	\$ 20,159	\$ -	\$ 251	\$ -	\$ 20,410
Virginia Correctional Enterprises	15,450	-	5,834	-	21,284
Health Care	16,719	-	-	-	16,719
Fleet Management	31,293	(990)	-	-	30,303
Maintenance and Repair	349	-	-	-	349
Virginia Distribution Center	7,210	-	-	-	7,210
Risk Management	(116,295)	89	-	-	(116,206)
Consolidated Laboratory	419	-	-	-	419
Federal Surplus Property	605	-	-	-	605
State Surplus Property	213	-	-	-	213
Graphic Communications	76	-	-	-	76
Property Disposal	89	-	-	-	89
Virginia Sickness and Disability Program	46,137	-	(46,137)	-	-
<b>Total Internal Service Funds</b>	<b>\$ 22,424</b>	<b>\$ (901)</b>	<b>\$ (40,052)</b>	<b>\$ -</b>	<b>\$ (18,529)</b>

**Beginning Net Assets Restatement  
Fiduciary Funds**

*(Dollars in Thousands)*

	Balance as of June 30, 2001	Correction of Prior Year Errors	Change in Reporting Requirements (GASB 34)	Change in Reporting Entity	Balance June 30, 2001 as restated
<b>Private Purpose Funds</b>					
Unclaimed Property	\$ -	\$ -	\$ 43,641	\$ -	\$ 43,641
Virginia College Savings Plan	-	-	62,268	-	62,268
Loan Servicing Reserve	-	-	545	-	545
Edvantage Reserve	-	-	1,538	-	1,538
Virginia Farm Loan Revolving	-	-	5,459	-	5,459
Miscellaneous Trust	-	-	66	-	66
<b>Total Private Purpose Funds</b>	-	-	113,517	-	113,517
<b>Pension Trust Funds</b>					
Virginia Retirement System	35,619,067	-	-	-	35,619,067
State Police Officers' Retirement System	464,208	-	-	-	464,208
Judicial Retirement System	259,346	-	-	-	259,346
Virginia Law Officers' Retirement System	350,132	-	-	-	350,132
Political Appointees	2,095	-	-	-	2,095
Other Employment Benefits:					
Retiree Health Insurance Credit	53,974	-	-	-	53,974
Group Life	938,093	-	-	-	938,093
Virginia Sickness and Disability Program	-	-	46,137	-	46,137
Volunteer Firefighters and Rescue Squad Workers	25	-	-	-	25
<b>Total Pension Trust Funds</b>	37,686,940	-	46,137	-	37,733,077
<b>Investment Trust Funds</b>					
Local Government Investment Pool (LGIP)	2,023,636	207	-	-	2,023,843
State Non-Arbitrage Pool (SNAP)	973,715	108	-	-	973,823
SNAP Individual Investment Accounts	36,964	-	-	-	36,964
<b>Total Investment Trust Funds</b>	3,034,315	315	-	-	3,034,630
<b>Nonexpendable Trust Funds</b>					
Commonwealth Health Research Board	27,642	-	(27,642)	-	-
Mental Health Endowment Funds	263	-	(263)	-	-
Virginia Arts Foundation Fund	96	-	(96)	-	-
<b>Total Nonexpendable Trust Funds</b>	28,001	-	(28,001)	-	-
<b>Expendable Trust Funds</b>	1,191,919	(6,319)	(1,185,600)	-	-
<b>Total Fiduciary Funds</b>	\$ 41,913,174	\$ (6,004)	\$ (1,025,946)	\$ -	\$ 40,881,224

*(Continued on next page)*

# Restatement of Beginning Balances (continued)

## Beginning Net Assets Restatement Component Units

(Dollars in Thousands)

	Balance as of June 30, 2001	Change in Reporting Requirements (GASB 34)	Change in Reporting Entity	Balance June 30, 2001 as restated
<b>Major Component Units</b>				
Virginia Housing Development Authority	\$ 1,226,927	\$ -	\$ -	\$ 1,226,927
Virginia Public School Authority	25,954	-	-	25,954
University of Virginia	3,927,199	(786,512)	-	3,140,687
Virginia Polytechnic Institute and State University	848,815	(429,459)	-	419,356
Virginia Commonwealth University	570,958	(8,488)	66,497	628,967
<b>Total Major Component Units</b>	<b>6,599,853</b>	<b>(1,224,459)</b>	<b>66,497</b>	<b>5,441,891</b>
<b>Nonmajor Component Units</b>				
Virginia Economic Development Partnership	2,295	(150)	-	2,145
Virginia Outdoors Foundation	2,189	6,786	-	8,975
Virginia Port Authority	76,090	209,953	-	286,043
Virginia Resources Authority	276,574	459,836	-	736,410
Virginia Tourism Authority	1,348	(368)	-	980
Virginia Tobacco Settlement Foundation	29,940	(3)	-	29,937
Tobacco Indemnification and Community Revitalization Commission	14,524	(1)	-	14,523
Hampton Roads Sanitation District Commission	114,204	225,921	-	340,125
Virginia Biotechnology Research Park Authority	1,410	11,526	-	12,936
Virginia Small Business Financing Authority	35,211	1,000	-	36,211
Virginia School for the Deaf and Blind Foundation	2,862	-	-	2,862
A. L. Philpott Manufacturing Extension Partnership	478	-	-	478
Virginia Equine Center Foundation	(2,309)	6,748	-	4,439
Certified Nursing Facility Education Initiative	40	2	-	42
College of William and Mary	384,189	(117,222)	-	266,967
Virginia Military Institute	126,645	(55,952)	-	70,693
Virginia State University	141,994	(77,390)	-	64,604
Norfolk State University	118,998	(79,031)	-	39,967
Mary Washington College	109,001	(38,196)	-	70,805
James Madison University	327,495	(133,284)	-	194,211
Radford University	156,104	(72,921)	-	83,183
Old Dominion University	318,163	(157,367)	-	160,796
George Mason University	339,470	(155,317)	-	184,153
Virginia Community College System	580,884	(223,618)	-	357,266
Christopher Newport University	77,434	(25,171)	-	52,263
Longwood College	102,754	(59,609)	-	43,145
Southwest Virginia Higher Education Center	11,680	(3,433)	-	8,247
Roanoke Higher Education Authority	12,666	(136)	-	12,530
Innovative Technology Authority	26,787	(7,619)	-	19,168
Medical College of Virginia Hospitals Authority	66,497	-	(66,497)	-
Virginia College Building Authority	(229,074)	13,851	-	(215,223)
<b>Total Nonmajor Component Units</b>	<b>3,226,543</b>	<b>(271,165)</b>	<b>(66,497)</b>	<b>2,888,881</b>
<b>Total Component Units</b>	<b>\$ 9,826,396</b>	<b>\$ (1,495,624)</b>	<b>\$ -</b>	<b>\$ 8,330,772</b>

As a result of the GASB Statement No. 34 implementation, all Commonwealth funds were evaluated to ensure appropriate fund classifications had been applied. As a result of this analysis, several agency funds were identified that had previously been reported as Expendable Trust Funds. These restatements of beginning balances are summarized below:

**Beginning Balance Restatement  
Agency Funds**

*(Dollars in Thousands)*

	<b>Balance as of July 1, 2001</b>	<b>Correction of Prior Year Errors</b>	<b>Balance July 1, 2001 as restated</b>
<b>Agency Funds</b>			
Funds for the Collection of Taxes and Fees	\$ 167,637	\$ -	\$ 167,637
Employee Benefits Fund	2,611	-	2,611
Mined Land Deposits Fund	3,732	6,153	9,885
Deposits of Insurance Carriers Fund	330,957	-	330,957
Inmate and Ward Fund	4,272	-	4,272
Child Support Collections Fund	11,950	-	11,950
Mental Health Patient Fund	2,346	21	2,367
Optional Life Insurance Fund	2,949	-	2,949
Comptroller's Debt Setoff Fund	1,302	-	1,302
Main Street Station Property Fund	1,640	-	1,640
Unclaimed Property of Other States	-	508	508
Legal Settlement Fund	613	2	615
Consumer Services Fund	474	2	476
Emergency Management Donation Fund	80	-	80
Federal Aviation Fund	33	(33)	-
Virginia Department of Transportation Fund	55	-	55
Virginia School for the Deaf and Blind Fund	39	-	39
Woodrow Wilson Rehabilitation Center Fund	7	-	7
Dog and Cat Sterilization Fund	-	3	3
Milk Commission Fund	2	-	2
<b>Total Agency Funds</b>	<b>\$ 530,699</b>	<b>\$ 6,656</b>	<b>\$ 537,355</b>

*(Continued on next page)*

## Restatement of Beginning Balances (continued)

There were numerous adjustments required to the July 1, 2001, cash and cash equivalent amounts reported on the Combined Statement of Cash Flows. These prior period adjustments for the Primary Government are summarized in the table below:

### Beginning Cash and Cash Equivalents Restatement Business-Type Activities

(Dollars in Thousands)

	Balance as of July 1, 2001	Correction of Prior Year Errors	Change in Reporting Requirements (GASB 34)	Balance July 1, 2001 as restated
<b>Major Enterprise Funds:</b>				
State Lottery Department	\$ 23,419	\$ -	\$ -	\$ 23,419
Virginia College Savings Plan	110,380	-	(1,745)	108,635
Pocahontas Parkway Association	10,720	-	-	10,720
Unemployment Compensation Fund	-	-	1,048,078	1,048,078
<b>Nonmajor Enterprise Funds:</b>				
Department of Alcoholic Beverage Control	454	-	-	454
Risk Management	25,747	-	-	25,747
Local Choice Health Care Program	7,894	-	-	7,894
Virginia Industries for the Blind	2,457	-	-	2,457
Consolidated Laboratory	1,569	-	-	1,569
eVA Procurement System	1	-	-	1
Department of Environmental Quality	10,806	-	-	10,806
Wireless E-911 Service Board	38,936	-	-	38,936
Virginia Museum of Fine Arts	1,157	-	-	1,157
Science Museum of Virginia	68	-	-	68
Mental Health Local Funds	-	403	-	403
Division of Legislative Services	9	-	-	9
Virginia School for the Deaf and Blind - Staunton	3	-	-	3
Virginia Historic Preservation Foundation	4	(4)	-	-
Virginia State Parks Foundation	343	(343)	-	-
<b>Total Nonmajor Enterprise Funds</b>	<b>89,448</b>	<b>56</b>	<b>-</b>	<b>89,504</b>
<b>Total Enterprise Funds</b>	<b>\$ 233,967</b>	<b>\$ 56</b>	<b>\$ 1,046,333</b>	<b>\$ 1,280,356</b>
<b>Internal Service Funds:</b>				
Department of Information Technology	10,213	-	-	10,213
Virginia Correctional Enterprises	7,564	-	-	7,564
Health Care	72,065	-	-	72,065
Fleet Management	1,486	211	-	1,697
Maintenance and Repair	2,534	-	-	2,534
Virginia Distribution Center	2,146	-	-	2,146
Risk Management	83,278	1,575	-	84,853
Consolidated Laboratory	213	-	-	213
Federal Surplus Property	381	-	-	381
State Surplus Property	250	-	-	250
Graphic Communications	93	-	-	93
Property Disposal	129	-	-	129
Virginia Sickness and Disability Program	126	-	(126)	-
<b>Total Internal Service Funds</b>	<b>\$ 180,478</b>	<b>\$ 1,786</b>	<b>\$ (126)</b>	<b>\$ 182,138</b>

Note: In prior years, cash flows were reflected for Proprietary Component Units. However, with the implementation of GASB Statement No. 34, these amounts are no longer reflected.

## 27. DEFICIT FUND BALANCE / NET ASSETS

The General Fund ended fiscal year 2002 with a deficit fund balance of \$216.7 million on a modified accrual basis of accounting. This is the result of accrued expenditures exceeding accrued revenues and beginning fund balance.

The State Lottery Department (Major Enterprise Fund), Department of Alcoholic Beverage Control (Nonmajor Enterprise Fund) and Maintenance and Repair (Internal Service Fund) ended the year with deficit net assets of \$1.4 million, \$3.7 million, and \$102,888, respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Virginia College Savings Plan (Major Enterprise Fund) ended the year with a deficit net assets balance of \$58.0 million. This is attributable to a projected unfunded actuarial liability caused by the severe downturn in the stock market, coupled with significant current and projected tuition increases, including unprecedented mid-year tuition increases in the 2002-2003 academic year. In response to the projected increases in tuition and mandatory fees, the Board has elected to increase program prices for VPEP contracts for the 2003 enrollment period by 25 percent. Further, given the long-term nature of the program, it is anticipated that tuition increases will moderate over time, and that investment returns will also improve as the stock market recovers.

The Pocahontas Parkway Association (Major Enterprise Fund) ended the year with a deficit net assets balance of \$48.0 million. This is attributable to debt service and operating expenses exceeding revenues and a deficit in beginning net assets.

The eVA Procurement System (Nonmajor Enterprise Fund) ended the year with a deficit net assets balance of \$2.0 million. This is attributable to operating expenses exceeding revenues and the net pension obligation

resulting from GASB Statement No. 27, as previously explained.

The Health Care (Internal Service Fund) ended the year with a deficit net assets balance of \$18.4 million. The deficit is attributable to increased health care costs and health care premiums lower than the actuarially determined rates.

The Risk Management (Internal Service Fund) ended the year with a deficit net assets balance of \$117.6 million. The deficit was the result of estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia College Building Authority (Nonmajor Component Unit) ended the year with a deficit net assets balance of \$275.4 million. This deficit occurs because the Authority issues 21<sup>st</sup> Century and Equipment Notes subject to future appropriations from the General Fund of the Commonwealth without any other security.

## 28. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions and the Virginia Museum of Fine Arts. The net appreciation available for expenditure is \$513,874,157, and of this amount, \$510,554,157 is reported as restricted net assets and \$3,320,000 is reported as unrestricted net assets. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution. Most of the institutions have the policy that spending be limited to approximately 5 percent of investment income on donor restricted assets.

## 29. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (reported in thousands) summarizes specific cash flows as of June 30, 2002.

	State Lottery	Virginia College Savings Plan	Unemployment Compensation Fund
Cash Flows Resulting from:			
Payments for Prizes, Claims, and Loss Control			
Lottery Prizes	\$ (663,645)	\$ -	\$ -
Claims and Loss Control	-	-	(648,502)
Total	<u>\$ (663,645)</u>	<u>\$ -</u>	<u>\$ (648,502)</u>
Other Operating Revenues:			
Other Operating Revenue	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Operating Expenses:			
Payments for Contractual Services	\$ (34,791)	\$ (2,784)	\$ -
Other Operating Expenses	-	(6)	-
Total	<u>\$ (34,791)</u>	<u>\$ (2,790)</u>	<u>\$ -</u>
Other Noncapital Financing Receipt Activities:			
Advances/Contributions from the Commonwealth	\$ -	\$ -	\$ -
Reed Act Receipts	-	-	216,527
Receipts from Taxes	-	-	-
Other Noncapital Financing Receipt Activities	1,201	-	-
Total	<u>\$ 1,201</u>	<u>\$ -</u>	<u>\$ 216,527</u>
Other Noncapital Financing Disbursement Activities:			
Other Noncapital Financing Disbursement Activities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Capital and Related Financing Receipt Activities:			
Other Capital and Related Financing Receipt Activities	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ (663,645)	\$ -
(98,370)	(746,872)	(574,912)
<u>\$ (98,370)</u>	<u>\$ (1,410,517)</u>	<u>\$ (574,912)</u>
\$ 7,229	\$ 7,229	\$ 1
<u>\$ 7,229</u>	<u>\$ 7,229</u>	<u>\$ 1</u>
\$ (20,388)	\$ (57,963)	\$ (108,448)
(644)	(650)	-
<u>\$ (21,032)</u>	<u>\$ (58,613)</u>	<u>\$ (108,448)</u>
\$ 2,204	\$ 2,204	\$ 2
-	216,527	-
101,155	101,155	-
-	1,201	229
<u>\$ 103,359</u>	<u>\$ 321,087</u>	<u>\$ 231</u>
-	-	(214)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (214)</u>
-	-	1
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>

### 30. TOBACCO SETTLEMENT

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. Virginia could receive approximately \$4.1 billion over the next 25 years. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999 the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission, in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission is established for the purposes of determining the appropriate recipients of moneys in the Tobacco Indemnification and Community Revitalization Fund. The moneys are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The moneys are also to be used to revitalize tobacco dependent communities.

The General Assembly also created The Virginia Tobacco Settlement Foundation (Foundation). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. The Virginia Tobacco Indemnification and Community Revitalization Commission and the Virginia Tobacco Settlement Foundation are included in the Comprehensive Annual Financial Report as governmental component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies will be deposited to these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be deposited to the General Fund.

### 31. PUBLIC-PRIVATE PARTNERSHIP

The Department of Taxation (Department) has entered into a partnership agreement with the American Management Systems, Inc. (AMS). The purpose of this partnership is to finance the Department's technology needs. The agreement stipulates that AMS will be paid 90 percent of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, AMS has created a dynamic environment that has made it easier for taxpayers to understand and comply with Virginia's tax requirements. As of June 30, 2002, the Department

has paid AMS \$76.9 million towards the \$155.9 million contract cost.

### 32. CONTINGENCIES

#### A. Grants and Contracts

The Commonwealth has received Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a Federal audit may become a liability of the Commonwealth.

Institutions of higher education (Component Units) and other State agencies are required to comply with various Federal regulations issued by the Office of Management and Budget, if such agencies are recipients of Federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries in the Internal Service Funds. The U.S. DHHS has not yet audited the fiscal year 2003 cost allocation plan, which is based on state fiscal year 2001 data. The Commonwealth believes this liability has the potential to total \$439 thousand as of June 30, 2002.

Virginia's combined overpayment and underpayment food stamp error rate for federal fiscal year 2001 was 8.07 percent. The national average combined error rate was 8.66 percent. States whose error rate exceeds the national average are subject to a penalty. Since Virginia's combined error rate was below the national average, liabilities of \$7.2 million were waived. The Commonwealth is subject to a cumulative potential liability of \$4.8 million during the period beginning October 1, 2002 through September 30, 2005.

#### B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or

investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

The Virginia Biotechnology Research Park Authority (Authority) (Nonmajor Component Unit) is involved in a dispute brought by the Economic Development Administration (EDA) related to grant funds received for construction costs. The Authority lost the first of two possible appeals with the EDA; however, the Authority was allowed to submit additional information in a second and final appeal filed in September 2002. The maximum liability of the Authority related to this dispute is \$1,000,000.

### **C. Subject to Appropriation**

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of \$1.1 billion. The discretely presented component units have such debt of \$354.9 million.

## **33. SUBSEQUENT EVENTS**

### **Primary Government**

In compliance with the Flow of Funds in the Indenture, balances in the Pocahontas Parkway Major Enterprise Fund revenue account in excess of the required deposits to the debt service and reserve accounts are transferred to the Department of Transportation (VDOT). These amounts are to first be used to reimburse VDOT's operating expenses and then to reduce other obligations. Since no amounts were due to be deposited into the debt service or other reserve accounts on July 31, 2002, \$804,556 representing the toll collections for June and July and the liquidated damages received for June was transferred to VDOT. With the reduction in the debt service account associated with the August 15 interest payment, liquidated damages for the month of July forward and toll receipts will be required to replenish the debt service account until increased tolls are received.

On August 28, 2002, the Department of Medical Assistance Services received notice that the U. S. Department of Health and Human Service (DHHS) Board had ruled in favor of the Commonwealth and reinstated all amounts previously disallowed. This ruling was in response to the November 2001 notification from the DHHS that \$62.0 million in disproportionate share hospital payments were disallowed. An additional \$12.1 million was disallowed during the first quarter of FY 2002.

In September 2002, the Commonwealth Transportation Board issued \$523,320,000 in Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes, Series 2002 to finance various Commonwealth transportation projects.

In September 2002, the Virginia Public Building Authority issued \$55,000,000 in Public Facilities Revenue Bonds, Series 2002A to fund capital projects for use by the Commonwealth.

In October 2002, the Commonwealth Transportation Board issued \$120,643,667 in bonds consisting of \$83,820,000 in Commonwealth of Virginia Transportation Contract Revenue Refunding Bonds (Route 28 Project), Series 2002 and \$36,823,667 in Commonwealth of Virginia Transportation Contract Revenue Bonds (Route 28 Project), Series 2002, respectively. The bond proceeds are being used to redeem outstanding principal balances and fund various transportation improvement projects.

In October 2002, the Commonwealth issued \$223,730,000 in General Obligation Bonds, Series 2002 to finance capital projects at certain higher education institutions.

In November 2002, the citizens of Virginia authorized the issuance of General Obligation bonds in amounts not to exceed \$900,488,645 and \$119,040,000 for capital projects at higher education institutions and at parks and other recreational facilities, respectively. These bonds will be issued during fiscal year 2003.

In November 2002, the Commonwealth Transportation Board issued \$223,705,000 in Transportation Revenue and Refunding Bonds consisting of \$153,035,000 in Series 2002A and \$70,670,000 in Series 2002B sold for the Northern Virginia Transportation District Program and the U.S. Route 58 Corridor Development Program, respectively. Net proceeds were used to redeem a portion of the outstanding balances and finance various transportation projects.

### **Component Units**

On July 1, 2002, the Hampton Road Sanitation District Commission (Commission) adopted a post-retirement health benefit plan for qualifying employees. The program will furnish health and dental benefits for life for all employees with at least 15 years of service at the Commission and also qualify for an unreduced retirement benefit through the Virginia Retirement System.

Subsequent to year-end, the Virginia Resources Authority (Authority) issued a total of \$11,575,000 in Series 2002A Non-AMT, Series 2002B AMT, and Series 2002C Taxable Airport Revolving Fund Revenue Bonds with interest rates ranging from 3.0 to 6.35 percent. The Authority also issued \$62,747,167 in Water and Sewer System Revenue Bonds with interest rates ranging from 4.14 to 5.59 percent.

In July 2002, the Virginia Housing Development Authority redeemed \$4,070,000 in Multi-Family Housing Bonds and \$103,995,000 in Commonwealth Mortgage Bonds.

In July 2002, the Virginia Port Authority issued \$135,000,000 in Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2002 to finance

improvements to the Authority's Norfolk International Terminal and various security and protection equipment.

In September 2002 the Virginia Housing Development Authority redeemed an additional \$104,865,000 in Commonwealth Mortgage Bonds.

In November 2002, the Virginia College Building Authority issued \$134,945,000 in Educational Facilities Revenue Bonds (Public Higher Education Financing

Program), Series 2002A to finance capital projects at various higher education institutions.

In November 2002, the Virginia Public School Authority issued \$155,545,000 in School Financing Bonds (1997 Resolution), Series 2002B to purchase local school bonds to finance capital projects for public schools.



## Required Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -  
General and Major Special Revenue Funds**

Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	General Fund			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes:				
Individual and Fiduciary Income	\$ 7,994,800	\$ 6,964,900	\$ 6,710,772	\$ (254,128)
Sales and Use	2,464,800	2,412,800	2,429,845	17,045
Corporation Income	473,600	295,600	290,215	(5,385)
Public Service Corporations	79,200	95,500	77,152	(18,348)
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	273,600	288,000	292,702	4,702
Other Taxes	430,300	474,700	487,826	13,126
Rights and Privileges	36,200	33,400	37,997	4,597
Sales of Property and Commodities	100	1,600	281	(1,319)
Assessments and Receipts for Support of Special Services	300	300	445	145
Institutional Revenue	8,400	8,700	9,194	494
Interest, Dividends, and Rents	152,000	112,300	143,718	31,418
Fines, Forfeitures, Court Fees, Penalties, and Escheats	150,100	141,700	152,801	11,101
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	10,500	9,000	9,060	60
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	63,300	59,300	59,846	546
Other	15,866	39,668	41,163	1,495
Total Revenues	12,153,066	10,937,468	10,743,017	(194,451)
<b>Expenditures:</b>				
Current:				
General Government	1,501,129	1,407,661	1,350,940	56,721
Education	5,808,535	5,559,328	5,542,589	16,739
Transportation	134,417	16,002	16,002	-
Resources and Economic Development	295,586	270,169	251,856	18,313
Individual and Family Services	2,432,634	2,560,153	2,550,020	10,133
Administration of Justice	1,960,237	1,921,625	1,910,280	11,345
Capital Outlay	303,803	236,269	119,046	117,223
Total Expenditures	12,436,341	11,971,207	11,740,733	230,474
Revenues Over (Under) Expenditures	(283,275)	(1,033,739)	(997,716)	36,023
<b>Other Financing Sources (Uses):</b>				
Transfers:				
Operating Transfers In	376,353	781,254	820,518	39,264
Operating Transfers Out	(218,035)	(385,271)	(383,940)	1,331
Proceeds from Sale of Bonds	-	-	-	-
Total Other Financing Sources (Uses)	158,318	395,983	436,578	40,595
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(124,957)	(637,756)	(561,138)	76,618
Fund Balance, July 1, as restated	1,194,107	1,194,107	1,194,107	-
Fund Balance, June 30	\$ 1,069,150	\$ 556,351	\$ 632,969	\$ 76,618

See notes on page 153 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
415,600	407,100	388,139	(18,961)
-	-	-	-
-	-	-	-
818,405	810,793	823,779	12,986
508,810	474,081	526,616	52,535
-	-	-	-
-	-	32,916	32,916
208,822	206,367	412,868	206,501
-	-	2,115	2,115
-	-	22,701	22,701
-	-	-	-
3,452	3,452	37,334	33,882
-	-	12,027	12,027
959,115	975,087	959,844	(15,243)
31,907	36,102	51,544	15,442
-	-	-	-
-	-	-	-
75,611	78,705	29,642	(49,063)
3,021,722	2,991,687	3,299,525	307,838
2,094	2,376	1,830	546
2,173	2,173	2,173	-
2,696,543	4,062,235	3,206,168	856,067
2,508	2,241	1,476	765
-	-	-	-
7,713	6,813	5,818	995
33,255	66,607	14,544	52,063
2,744,286	4,142,445	3,232,009	910,436
277,436	(1,150,758)	67,516	1,218,274
-	130,902	136,779	5,877
(146,808)	(232,950)	(271,593)	(38,643)
-	-	164,452	164,452
(146,808)	(102,048)	29,638	131,686
130,628	(1,252,806)	97,154	1,349,960
1,022,116	1,022,116	1,022,116	-
\$ 1,152,744	\$ (230,690)	\$ 1,119,270	\$ 1,349,960

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -  
General and Major Special Revenue Funds** (Continued from previous page)

Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Special Revenue Funds (continued)			
	Federal Trust			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes:				
Individual and Fiduciary Income	\$ -	\$ -	\$ -	\$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Public Service Corporations	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	120	81	78	(3)
Sales of Property and Commodities	170	182	124	(58)
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	136	522	591	69
Fines, Forfeitures, Court Fees, Penalties, and Escheats	-	-	34	34
Federal Grants and Contracts	3,345,351	4,068,522	3,994,305	(74,217)
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	35,927	34,683	52,806	18,123
<b>Total Revenues</b>	<b>3,381,704</b>	<b>4,103,990</b>	<b>4,047,938</b>	<b>(56,052)</b>
<b>Expenditures:</b>				
Current:				
General Government	17,714	38,788	35,992	2,796
Education	270,786	494,162	425,835	68,327
Transportation	6,648	16,878	13,618	3,260
Resources and Economic Development	164,421	211,740	175,680	36,060
Individual and Family Services	2,784,721	3,165,880	3,348,090	(182,210)
Administration of Justice	40,020	57,701	40,843	16,858
Capital Outlay	35,835	57,328	4,323	53,005
<b>Total Expenditures</b>	<b>3,320,145</b>	<b>4,042,477</b>	<b>4,044,381</b>	<b>(1,904)</b>
<b>Revenues Over (Under) Expenditures</b>	<b>61,559</b>	<b>61,513</b>	<b>3,557</b>	<b>(57,956)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers:				
Operating Transfers In	-	-	5,932	5,932
Operating Transfers Out	(46)	(66)	(9,489)	(9,423)
Proceeds from Sale of Bonds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(46)</b>	<b>(66)</b>	<b>(3,557)</b>	<b>(3,491)</b>
<b>Revenues and Other Sources Over (Under)</b>				
Expenditures and Other Uses	61,513	61,447	-	(61,447)
<b>Fund Balance, July 1, as restated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 61,513</b>	<b>\$ 61,447</b>	<b>\$ -</b>	<b>\$ (61,447)</b>

See notes on page 153 in this section.



**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Major Special Revenue Funds**

**1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE**

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2002, to the fund balance on a modified accrual basis follows.

*(Dollars in Thousands)*

	<b>General Fund</b>	<b>Commonwealth Transportation Fund</b>	<b>Federal Trust Fund</b>
Fund Balance, Basis of Budgeting	\$ 632,969	\$ 1,119,270	\$ -
Adjustments from Budget to Modified Accrual, Undesignated:			
Accrued Revenues:			
Taxes	339,909	(7,732)	-
Tax Refunds	(226,549)	-	-
Other Revenue	73,519	98,978	215,577
Deferred Credit	(501,766)	-	-
Medicaid Payable	(184,352)	-	(193,970)
Accrued Expenditures	(350,427)	(112,247)	(6,321)
Fund Reclassification - Budget to Modified Accrual	-	(33,553)	-
Fund Balance, Modified Accrual Basis	<u>\$ (216,697)</u>	<u>\$ 1,064,716</u>	<u>\$ 15,286</u>

(1) As discussed in Note 1.E., the Literary Fund has no approved budget.

**2. APPROPRIATIONS**

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2002, except the Literary Fund which has no approved budget.

<i>(Dollars in Thousands)</i>	<b>General Fund (8)</b>	<b>Commonwealth Transportation Trust Fund (9)</b>	<b>Federal Trust Fund (10)</b>
Appropriations (1)	\$ 12,228,124	\$ 2,711,030	\$ 3,286,210
Supplemental Appropriations:			
Reappropriations (2)	518,202	66,707	38,177
Subsequent Executive (3)	(28,516)	1,238,535	666,118
Subsequent Legislative (4)	(406,448)	72,289	66,927
Capital Outlay Reversions (5)	(212,015)	(500)	(1,900)
Transfers (6)	(147,327)	54,384	(13,055)
Deficit (7)	19,187	-	-
Appropriations, as adjusted	<u>\$ 11,971,207</u>	<u>\$ 4,142,445</u>	<u>\$ 4,042,477</u>

- Represents the budget appropriated through Chapter 814, 2002 Acts of Assembly.
- Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
- Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
- Actions taken by the Governor and the General Assembly to adjust the budget.
- Represents reversions of unexpended capital outlay balances.
- Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.4 billion (General Fund) for transfers to component units that have been reclassified as expenditures in accordance with GASB Statement No. 34.
- This represents deficit funding pursuant to Section 4-3.01 of Chapter 814, 2002 Acts of Assembly.
- Prior year reversions of \$11,850,014 (General Fund) are included in the accounting system for monitoring, but do not represent current year appropriations and are not in this schedule.
- The expenditure budget includes amounts for multi-year capital projects.
- Appropriations do not include food stamp issuances of \$296 million since this is a noncash item; however, this amount is included in actual expenditures.

## Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Biennial Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) - Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
<i>Virginia Retirement System (VRS) **</i>						
2001	\$ 37,967	\$ 35,384	\$ (2,583)	107.3%	\$ 10,145	(25.5%)
* 2000	34,392	32,643	(1,749)	105.4%	9,529	(18.4%)
1999	29,804	31,419	1,615	94.9%	9,138	17.7%
** 1998	25,481	29,027	3,546	87.8%	8,638	41.1%
* 1996	19,032	23,842	4,810	79.8%	7,769	61.9%
1994	14,891	20,405	5,514	73.0%	7,274	75.8%
<i>State Police Officers' Retirement System (SPORS)</i>						
2001	\$ 495	\$ 557	\$ 62	88.9%	\$ 83	74.7%
* 2000	441	513	72	86.0%	81	88.9%
1999	377	463	86	81.4%	77	111.7%
** 1998	322	425	103	75.8%	65	158.5%
* 1996	243	371	128	65.5%	60	213.3%
1994	201	277	76	72.6%	58	131.0%
<i>Virginia Law Officers' Retirement System (VaLORS)</i>						
2001	\$ 393	\$ 628	\$ 235	62.7%	\$ 320	73.4%
*** 2000	307	680	373	45.2%	315	118.4%
<i>Judicial Retirement System (JRS)</i>						
2001	\$ 277	\$ 342	\$ 65	81.0%	\$ 47	138.3%
* 2000	245	330	85	74.2%	45	188.9%
1999	210	302	92	69.5%	42	219.0%
** 1998	180	274	94	65.7%	39	241.0%
* 1996	138	243	105	56.8%	36	291.7%
1994	115	199	84	57.8%	33	254.5%

\* Revised economic and demographic assumptions due to experience study.

\*\* Change in benefit formula, unreduced early retirement age and in the actuarial amortization method.

\*\*\* The first actuarial valuation for the Virginia Law Officers' Retirement System, established on October 1, 1999, was performed as of June 30, 2000.

See Notes on following page.

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Notes: Valuation Date: June 30, 2001

Actuarial Cost Method: Entry Age Normal

Amortization Method:

State Employees	Level percent, open
Political Subdivision Employees	Level percent, open
Teachers	Level percent, open
State Police / VA Law Officers / Judges	Level percent, closed

Payroll Growth Rate: 3.00%

Remaining Amortization Period:

State Employees	0 years
Political Subdivision Employees	0 to 30 years
Teachers	14 years
State Police / VA Law Officers / Judges	25 years

Asset Valuation Method: Modified Market

Actuarial Assumptions:

Investment Rate of Return (1)	8.00%
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Projected Salary Increases (1)

State / Political Subdivision Employees	4.25% to 6.10%
Teachers	4.00% to 6.10%
State Police / VA Law Officers	4.50% to 5.75%
Judges	5.00%

Cost of Living Adjustments 3.00%

(1) Includes inflation at 3.00%.

## Risk Management Claims Development Information

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1993	1994	1995	1996
1. Required contribution and investment revenue:				
Earned	\$ 5,974	\$ 5,592	\$ 5,891	\$ 6,875
Ceded (a)	-	-	-	-
Net earned	5,974	5,592	5,891	6,875
2. Unallocated expenses	275	285	287	595
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	4,325	3,753	3,931	3,706
Ceded (a)	-	-	-	-
Net incurred	4,325	3,753	3,931	3,706
4. Net paid (cumulative) as of:				
End of policy year	866	620	804	254
One year later	2,686	1,702	2,383	1,995
Two years later	3,610	2,207	3,540	3,312
Three years later	3,964	2,922	3,854	4,385
Four years later	4,085	3,384	4,043	4,605
Five years later	4,148	3,563	4,129	4,684
Six years later	4,202	3,603	4,174	4,559
Seven years later	4,203	3,605	3,699	
Eight years later	4,202	4,113		
Nine years later	4,159			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	4,325	3,753	3,931	3,706
One year later	5,376	3,920	4,705	3,977
Two years later	5,567	3,731	4,472	4,957
Three years later	4,614	3,590	4,458	5,016
Four years later	4,144	3,748	4,248	4,936
Five years later	4,191	3,679	4,335	4,966
Six years later	4,207	3,620	4,308	4,689
Seven years later	4,203	3,605	3,769	
Eight years later	4,202	4,113		
Nine years later	4,159			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	(166)	361	(161)	983

The Commonwealth provides errors and omissions liability insurance, law enforcement professional liability insurance, and commuter rail insurance for local governmental units, which went into effect in fiscal year 1987. For fiscal years 1992-2000, this insurance coverage was provided through the Department of General Services, Division of Risk Management. Effective July 1, 2000, this coverage was provided through the Department of Treasury, Division of Risk Management.

See Notes on page 160 in this section.

1997	1998	1999	2000	2001	2002
\$ 6,664	\$ 7,537	\$ 6,780	\$ 6,478	\$ 5,814	\$ 5,324
-	-	-	-	-	-
6,664	7,537	6,780	6,478	5,814	5,324
453	464	703	1,223	1,863	924
2,095	2,760	2,719	2,263	2,688	4,110
-	-	-	-	-	-
2,095	2,760	2,719	2,263	2,688	4,110
286	434	439	196	336	550
1,680	2,651	2,100	2,246	1,628	
2,602	3,261	2,938	3,322		
2,907	3,894	4,555			
3,028	4,183				
2,965					
-	-	-	-	-	-
2,095	2,760	2,719	2,263	2,688	4,110
3,352	4,080	5,509	4,801	3,752	
3,160	3,934	5,997	4,467		
3,300	4,565	5,769			
3,314	4,353				
3,052					
958	1,593	3,049	2,204	1,064	-

## Health Care Claims Development Information

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	1993	1994	1995	1996
1. Required contribution and investment revenue:				
Earned	\$ 41,716	\$ 48,932	\$ 40,468	\$ 38,321
Ceded (a)	-	-	-	-
Net earned	41,716	48,932	40,468	38,321
2. Unallocated expenses	2,401	2,288	2,428	3,305
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	37,346	37,805	33,731	41,232
Ceded (a)	-	-	-	-
Net incurred	37,346	37,805	33,731	41,232
4. Net paid (cumulative) as of:				
End of policy year	32,403	33,704	30,177	39,276
One year later	37,346	37,805	33,731	41,232
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	37,346	37,805	33,731	41,232
One year later	37,346	37,805	33,731	41,232
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 160 in this section.

1997	1998	1999	2000	2001	2002
\$ 48,493	\$ 54,089	\$ 64,419	\$ 75,569	\$ 88,313	\$ 100,836
-	-	-	-	-	-
48,493	54,089	64,419	75,569	88,313	100,836
4,445	5,286	6,632	6,997	7,203	6,225
46,895	60,657	70,719	76,816	87,222	95,860
-	-	-	-	-	-
46,895	60,657	70,719	76,816	87,222	95,860
40,631	53,219	62,219	68,336	74,579	80,974
46,895	-	-	-	-	-
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
46,895	60,657	70,719	74,417	87,222	95,860
46,895	60,657	70,719	74,417	87,222	95,860
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-

## Notes for Claims Development Information Tables

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The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the Funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the Funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

### Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.







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## Nonmajor Governmental Funds

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### Special Revenue Funds:

*Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.*

**The Dedicated Special Revenue Fund** accounts for revenues and expenditures associated with a dedicated funding source and use.

**The Other Special Revenue Fund** accounts for revenues and expenditures related to local health care assistance, business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

**The Virginia Land Conservation Foundation Fund** accounts for revenues and expenditures related to the protection and preservation of ecological, cultural, or historical property.

**The Virginia Historic Preservation Foundation** acquires and sells properties of historical significance; and,

**The Virginia State Parks Foundation** solicits gifts and grants for the benefit of state parks.

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### Debt Service Funds:

*The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.*

**Primary Government** accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

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### Capital Project Funds:

*The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.*

**Primary Government** accounts for the financial resources used to acquire, construct, or improve parks and correctional, mental health, and parking facilities owned by the Commonwealth.

**The Virginia Public Building Authority** accounts for financial resources used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

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### Permanent Funds:

*Permanent Funds are funds whose principal must remain intact.*

**Commonwealth Health Research Fund** provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such.

**Mental Health Endowment Funds** provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

**Virginia Arts Foundation Fund** provides funds for the promotion of the arts in the Commonwealth. The entire fund balance is restricted for use as such.

# **Combining Balance Sheet – Nonmajor Governmental Funds**

June 30, 2002

(Dollars in Thousands)

	Special Revenue Funds			
	Dedicated	Other	Virginia Land Conservation Foundation	Virginia State Parks Foundation
<b>Assets</b>				
Cash and Cash Equivalents	\$ 179,142	\$ 254,395	\$ 3,060	\$ 275
Investments	11,794	13,856	254	51
Receivables	25,046	80,717	-	-
Due From Other Funds	-	13,382	-	-
Due From Fiduciary Funds	-	67	-	-
Interfund Receivable	-	45,688	-	-
Inventory	2,321	5,524	-	-
Other Assets	273	303	-	-
Loans Receivable from Component Units	-	22,134	-	-
Total Assets	<u>\$ 218,576</u>	<u>\$ 436,066</u>	<u>\$ 3,314</u>	<u>\$ 326</u>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$ 24,531	\$ 34,386	\$ -	\$ 4
Due to Other Funds	2,317	12,189	-	-
Due to Component Units	-	-	-	-
Deferred Revenue and Deferred Credit	3,871	35,743	-	-
Obligations Under Securities Lending Program	8,418	7,759	280	-
Other Liabilities	631	1,733	-	-
Long-Term Liabilities	27	304	-	-
Total Liabilities	<u>39,795</u>	<u>92,114</u>	<u>280</u>	<u>4</u>
Fund Balances Reserved for:				
Inventory	2,321	5,524	-	-
Debt Service	-	-	-	-
Donations	482	7,478	-	25
Capital Acquisition	-	492	-	-
Fund Balances Unreserved, Reported in:				
Special Revenue Funds	175,978	330,458	3,034	297
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	<u>178,781</u>	<u>343,952</u>	<u>3,034</u>	<u>322</u>
Total Liabilities and Fund Balances	<u>\$ 218,576</u>	<u>\$ 436,066</u>	<u>\$ 3,314</u>	<u>\$ 326</u>

Special Revenue Funds (continued)		Debt Service Funds			
Virginia Historic Preservation Foundation	Total	Primary Government	Virginia Public Building Authority	Total	
\$ 4	\$ 436,876	\$ 38,743	\$ 45	\$ 38,788	
-	25,955	-	-	-	
-	105,763	-	-	-	
-	13,382	-	-	-	
-	67	-	-	-	
-	45,688	-	-	-	
-	7,845	-	-	-	
-	576	-	-	-	
-	22,134	-	-	-	
<u>\$ 4</u>	<u>\$ 658,286</u>	<u>\$ 38,743</u>	<u>\$ 45</u>	<u>\$ 38,788</u>	
\$ -	\$ 58,921	\$ -	\$ -	\$ -	
-	14,506	-	-	-	
-	-	-	-	-	
-	39,614	-	-	-	
-	16,457	-	-	-	
-	2,364	15	-	15	
-	331	-	-	-	
-	132,193	15	-	15	
-	7,845	-	-	-	
-	-	38,728	45	38,773	
-	7,985	-	-	-	
-	492	-	-	-	
4	509,771	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
<u>4</u>	<u>526,093</u>	<u>38,728</u>	<u>45</u>	<u>38,773</u>	
<u>\$ 4</u>	<u>\$ 658,286</u>	<u>\$ 38,743</u>	<u>\$ 45</u>	<u>\$ 38,788</u>	

Continued on next page

**Combining Balance Sheet – Nonmajor Governmental Funds** (Continued from previous page)

June 30, 2002

(Dollars in Thousands)

	<b>Capital Project Funds</b>		
	<b>Primary Government</b>	<b>Virginia Public Building Authority</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,646	\$ 44,882	\$ 51,528
Investments	3,083	-	3,083
Receivables	-	86	86
Due From Other Funds	-	-	-
Due From Fiduciary Funds	-	-	-
Interfund Receivable	-	-	-
Inventory	-	-	-
Other Assets	-	-	-
Loans Receivable from Component Units	-	-	-
<b>Total Assets</b>	<b>\$ 9,729</b>	<b>\$ 44,968</b>	<b>\$ 54,697</b>
<b>Liabilities and Fund Balances</b>			
Accounts Payable	\$ 174	\$ 258	\$ 432
Due to Other Funds	-	-	-
Due to Component Units	-	1,096	1,096
Deferred Revenue and Deferred Credit	-	-	-
Obligations Under Securities Lending Program	472	-	472
Other Liabilities	-	-	-
Long-Term Liabilities	-	-	-
<b>Total Liabilities</b>	<b>646</b>	<b>1,354</b>	<b>2,000</b>
Fund Balances Reserved for:			
Inventory	-	-	-
Debt Service	-	-	-
Donations	-	-	-
Capital Acquisition	-	-	-
Fund Balances Unreserved, Reported in:			
Special Revenue Funds	-	-	-
Capital Projects Funds	9,083	43,614	52,697
Permanent Funds	-	-	-
<b>Total Fund Balances</b>	<b>9,083</b>	<b>43,614</b>	<b>52,697</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,729</b>	<b>\$ 44,968</b>	<b>\$ 54,697</b>

Permanent Funds				Total Nonmajor Governmental Funds
Commonwealth Health Research Board	Mental Health Endowment Funds	Virginia Arts Foundation Fund	Total	
\$ 1	\$ 187	\$ 144	\$ 332	\$ 527,524
24,195	75	12	24,282	53,320
2	-	-	2	105,851
-	-	-	-	13,382
-	-	-	-	67
-	-	-	-	45,688
-	-	-	-	7,845
-	-	-	-	576
-	-	-	-	22,134
<u>\$ 24,198</u>	<u>\$ 262</u>	<u>\$ 156</u>	<u>\$ 24,616</u>	<u>\$ 776,387</u>
\$ 6	\$ -	\$ -	\$ 6	\$ 59,359
-	-	-	-	14,506
-	-	-	-	1,096
-	-	-	-	39,614
-	-	14	14	16,943
-	-	-	-	2,379
-	-	-	-	331
<u>6</u>	<u>-</u>	<u>14</u>	<u>20</u>	<u>134,228</u>
-	-	-	-	7,845
-	-	-	-	38,773
-	-	-	-	7,985
-	-	-	-	492
-	-	-	-	509,771
-	-	-	-	52,697
24,192	262	142	24,596	24,596
<u>24,192</u>	<u>262</u>	<u>142</u>	<u>24,596</u>	<u>642,159</u>
<u>\$ 24,198</u>	<u>\$ 262</u>	<u>\$ 156</u>	<u>\$ 24,616</u>	<u>\$ 776,387</u>

**Combining Statement of Revenues Expenditures, and Changes in Fund Balances –  
Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Special Revenue Funds			
	Dedicated	Other	Virginia Land Conservation Foundation	Virginia State Parks Foundation
<b>Revenues</b>				
Taxes	\$ 84,995	\$ 26,470	\$ -	\$ -
Rights and Privileges	33,268	142,882	-	-
Institutional Revenue	96,870	338,101	-	-
Interest, Dividends, Rents, and Other Investment Income	6,595	8,309	171	6
Other	47,424	955,519	-	44
Total Revenues	269,152	1,471,281	171	50
<b>Expenditures</b>				
Current:				
General Government	53,027	43,546	11	60
Education	308	144,106	-	-
Transportation	15	15,254	-	-
Resources and Economic Development	91,753	191,876	1,366	-
Individual and Family Services	44,165	906,765	-	-
Administration of Justice	86,200	49,127	-	-
Capital Outlay	1,555	5,889	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	277,023	1,356,563	1,377	60
Revenues Over (Under) Expenditures	(7,871)	114,718	(1,206)	(10)
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	19,209	190,962	-	-
Operating Transfers Out	(27,271)	(290,151)	-	-
Proceeds from Capital Leases	25	-	-	-
Proceeds from Sale of Bonds	-	-	-	-
Total Other Financing Sources (Uses)	(8,037)	(99,189)	-	-
Net Change in Fund Balances	(15,908)	15,529	(1,206)	(10)
Fund Balance, July 1, as restated	194,689	328,423	4,240	332
Fund Balance, June 30	\$ 178,781	\$ 343,952	\$ 3,034	\$ 322



Special Revenue Funds (continued)		Debt Service Funds		
Virginia Historic Preservation Foundation	Total	Primary Government	Virginia Public Building Authority	Total
\$ -	\$ 111,465	\$ -	\$ -	\$ -
-	176,150	-	-	-
-	434,971	-	-	-
1	15,082	516	3	519
-	1,002,987	-	-	-
1	1,740,655	516	3	519
-	-	-	-	-
-	96,644	-	-	-
-	144,414	-	-	-
-	15,269	55	-	55
1	284,996	-	-	-
-	950,930	-	-	-
-	135,327	-	-	-
-	7,444	-	-	-
-	-	91,362	64,500	155,862
-	-	118,822	47,314	166,136
1	1,635,024	210,239	111,814	322,053
-	105,631	(209,723)	(111,811)	(321,534)
-	210,171	230,481	111,806	342,287
-	(317,422)	(560)	(8)	(568)
-	25	-	-	-
-	-	-	-	-
-	(107,226)	229,921	111,798	341,719
-	(1,595)	20,198	(13)	20,185
4	527,688	18,530	58	18,588
\$ 4	\$ 526,093	\$ 38,728	\$ 45	\$ 38,773

Continued on next page

**Combining Statement of Revenues Expenditures, and Changes in Fund Balances –  
Nonmajor Governmental Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	<b>Capital Project Funds</b>		
	<b>Virginia</b>		
	<b>Public</b>		
	<b>Primary</b>	<b>Building</b>	
	<b>Government</b>	<b>Authority</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Rights and Privileges	-	-	-
Institutional Revenue	-	-	-
Interest, Dividends, Rents, and Other Investment Income	422	2,320	2,742
Other	190	-	190
Total Revenues	612	2,320	2,932
<b>Expenditures</b>			
Current:			
General Government	-	-	-
Education	-	-	-
Transportation	-	-	-
Resources and Economic Development	-	-	-
Individual and Family Services	-	-	-
Administration of Justice	-	-	-
Capital Outlay	6,356	107,733	114,089
Debt Service:			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	6,356	107,733	114,089
Revenues Over (Under) Expenditures	(5,744)	(105,413)	(111,157)
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	-	8	8
Operating Transfers Out	-	-	-
Proceeds from Capital Leases	-	-	-
Proceeds from Sale of Bonds	-	35,583	35,583
Total Other Financing Sources (Uses)	-	35,591	35,591
Net Change in Fund Balances	(5,744)	(69,822)	(75,566)
Fund Balance, July 1, as restated	14,827	113,436	128,263
Fund Balance, June 30	\$ 9,083	\$ 43,614	\$ 52,697

Permanent Funds				Total Nonmajor Governmental Funds
Commonwealth Health Research Board	Mental Health Endowment Funds	Virginia Arts Foundation Fund	Total	
\$ -	\$ -	\$ -	\$ -	\$ 111,465
-	-	12	12	176,162
-	-	-	-	434,971
(2,662)	6	5	(2,651)	15,692
103	-	29	132	1,003,309
(2,559)	6	46	(2,507)	1,741,599
-	-	-	-	-
-	-	-	-	96,644
-	-	-	-	144,414
-	-	-	-	15,324
-	-	-	-	284,996
891	7	-	898	951,828
-	-	-	-	135,327
-	-	-	-	121,533
-	-	-	-	155,862
-	-	-	-	166,136
891	7	-	898	2,072,064
(3,450)	(1)	46	(3,405)	(330,465)
-	-	-	-	-
-	-	-	-	552,466
-	-	-	-	(317,990)
-	-	-	-	25
-	-	-	-	35,583
-	-	-	-	270,084
(3,450)	(1)	46	(3,405)	(60,381)
27,642	263	96	28,001	702,540
\$ 24,192	\$ 262	142	\$ 24,596	\$ 642,159

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual - Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Dedicated			Final/Actual Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes:				
Public Service Corporations	\$ -	\$ -	\$ -	\$ -
Motor Fuel	60,390	33,687	34,714	1,027
Other Taxes	38,629	40,667	50,535	9,868
Rights and Privileges	52,415	55,611	33,615	(21,996)
Sales of Property and Commodities	3,418	3,345	2,713	(632)
Assessments and Receipts for Support of Special Services	5,470	5,790	6,232	442
Institutional Revenue	77,214	80,469	81,205	736
Interest, Dividends, and Rents	4,566	5,258	6,694	1,436
Fines, Forfeitures, Court Fees, Penalties, and Escheats	33,827	26,827	28,202	1,375
Receipts from Cities, Counties, and Towns	-	186	63	(123)
Private Donations, Gifts and Contracts	1,154	1,014	1,332	318
Other	15,206	15,433	12,942	(2,491)
Total Revenues	292,289	268,287	258,247	(10,040)
<b>Expenditures:</b>				
Current:				
General Government	40,603	48,773	48,016	757
Education	34,221	34,116	297	33,819
Transportation	-	36	156	(120)
Resources and Economic Development	47,291	115,216	93,679	21,537
Individual and Family Services	40,265	53,509	42,793	10,716
Administration of Justice	80,235	104,918	84,862	20,056
Capital Outlay	2,943	6,629	1,958	4,671
Total Expenditures	245,558	363,197	271,761	91,436
Revenues Over (Under) Expenditures	46,731	(94,910)	(13,514)	81,396
<b>Other Financing Sources (Uses):</b>				
Transfers:				
Operating Transfers In	8,780	12,034	19,209	7,175
Operating Transfers Out	(3,662)	(15,927)	(27,271)	(11,344)
Total Other Financing Sources (Uses)	5,118	(3,893)	(8,062)	(4,169)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	51,849	(98,803)	(21,576)	77,227
<b>Fund Balance, July 1, as restated</b>	<b>203,572</b>	<b>203,572</b>	<b>203,572</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>\$ 255,421</b>	<b>\$ 104,769</b>	<b>\$ 181,996</b>	<b>\$ 77,227</b>

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ 10,365	\$ 10,365
-	-	-	-
16,116	28,170	16,047	(12,123)
154,215	152,678	142,660	(10,018)
18,823	20,568	22,830	2,262
58,551	62,911	69,835	6,924
342,435	324,491	341,413	16,922
5,431	6,935	8,231	1,296
6,103	7,027	10,459	3,432
51,068	56,661	54,183	(2,478)
2,372	2,684	4,001	1,317
40,292	795,062	796,471	1,409
695,406	1,457,187	1,476,495	19,308
25,445	48,398	45,931	2,467
23,321	138,082	144,584	(6,502)
20,661	21,081	14,873	6,208
165,817	223,108	191,356	31,752
382,702	919,338	902,823	16,515
27,345	29,671	49,064	(19,393)
21,320	50,178	5,869	44,309
666,611	1,429,856	1,354,500	75,356
28,795	27,331	121,995	94,664
18,818	51,259	190,962	139,703
(6,831)	(287,362)	(290,151)	(2,789)
11,987	(236,103)	(99,189)	136,914
40,782	(208,772)	22,806	231,578
315,105	315,105	315,105	-
\$ 355,887	\$ 106,333	\$ 337,911	\$ 231,578

Continued on next page

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual - Nonmajor Special Revenue Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Virginia Land Conservation Foundation			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
<b>Revenues:</b>				
<b>Taxes:</b>				
Public Service Corporations	\$ -	\$ -	\$ -	\$ -
Motor Fuel	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	-	-
Sales of Property and Commodities	-	-	-	-
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	-	-	171	171
Fines, Forfeitures, Court Fees, Penalties, and Escheats	-	-	-	-
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Other	-	-	-	-
Total Revenues	-	-	171	171
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	-	-	11	(11)
Education	-	-	-	-
Transportation	-	-	-	-
Resources and Economic Development	-	1,429	1,366	63
Individual and Family Services	-	-	-	-
Administration of Justice	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	1,429	1,377	52
Revenues Over (Under) Expenditures	-	(1,429)	(1,206)	223
<b>Other Financing Sources (Uses):</b>				
<b>Transfers:</b>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	-	(1,429)	(1,206)	223
<b>Fund Balance, July 1, as restated</b>	-	4,240	4,240	-
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ 2,811</u>	<u>\$ 3,034</u>	<u>\$ 223</u>

Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	1	1
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	1	1
-	-	-	-
-	-	-	-
-	-	-	-
-	4	1	3
-	-	-	-
-	-	-	-
-	-	-	-
-	4	1	3
-	(4)	-	4
-	-	-	-
-	-	-	-
-	-	-	-
-	(4)	-	4
-	4	4	-
\$ -	\$ -	\$ 4	\$ 4

**Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds**

**1. BASIS OF BUDGETING VS. MODIFIED ACCRUAL BASIS FUND BALANCE**

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2002, to the fund balance on a modified accrual basis follows.

*(Dollars in Thousands)*

	<b>Dedicated</b>	<b>Other</b>	<b>Virginia Land Conservation Foundation</b>	<b>Virginia Historic Preservation Foundation</b>
Fund Balance, Basis of Budgeting	\$ 181,996	\$ 337,911	\$ 3,034	\$ 4
Adjustments from Budget to Modified Accrual, Undesignated:				
Accrued Revenues:				
Taxes	4,085	287	-	-
Other Revenue	16,451	38,100	-	-
Accrued Expenditures	(23,751)	(32,346)	-	-
Fund Balance, Modified Accrual Basis	<u>\$ 178,781</u>	<u>\$ 343,952</u>	<u>\$ 3,034</u>	<u>\$ 4</u>

(1) As discussed in Note 1.E., the State Parks Foundation has no approved budget.

**2. APPROPRIATIONS**

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2002, except the State Parks Foundation, which has no approved budget.

*(Dollars in Thousands)*

	<b>Dedicated</b>	<b>Other</b>	<b>Virginia Land Conservation Foundation</b>	<b>Virginia Historic Preservation Foundation</b>
Appropriations (1)	\$ 245,411	\$ 655,021	\$ -	\$ -
Supplemental Appropriations:				
Reappropriations (2)	2,999	41,530	-	-
Subsequent Executive (3)	101,191	607,962	1,429	4
Subsequent Legislative (4)	(245)	115,773	-	-
Capital Outlay Reversions (5)	-	(6,071)	-	-
Transfers (6)	13,841	15,641	-	-
Appropriations, as adjusted	<u>\$ 363,197</u>	<u>\$ 1,429,856</u>	<u>\$ 1,429</u>	<u>\$ 4</u>

1. Represents the budget appropriated through Chapter 814, 2002 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.



## Nonmajor Enterprise Funds

### Enterprise Funds:

*The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.*

**The Department of Alcoholic Beverage Control** operates facilities for the distribution and sale of distilled spirits and wine.

**Risk Management** accounts for pooled resources received and used by the Department of Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance, Law Enforcement Insurance, and Commuter Rail Insurance.

**The Local Choice Health Care Program** administers a health care plan for the employees of participating local governments.

**The Virginia Industries for the Blind** manufactures products for sale to governments, certain private organizations, and the general public.

**The Consolidated Laboratory** provides water testing services and a newborn screening program.

**eVA Procurement System** accounts for the statewide electronic procurement system.

**The Department of Environmental Quality** accounts for the Title V program that offers services to the general public.

**The Wireless E-911 Service Board** assists in the establishment of wireless E-911 service in Virginia localities.

**The Virginia Museum of Fine Arts** accounts for gift shop and food service activities.

**The Science Museum of Virginia** accounts for gift shop activities.

**Mental Health Local Funds** account for the canteen store and work activity programs.

**The Division of Legislative Services** accounts for sales of the Virginia Register, a publication which lists all proposed and final state agency regulations.

**The Virginia School for the Deaf and Blind – Staunton** accounts for the Student Center activity.

## Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2002

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 275	\$ 22,713	\$ 7,939	\$ 2,673
Investments	19	14,280	660	-
Receivables (Net)	3,097	676	8,020	558
Inventory	27,192	-	-	1,524
Prepaid Items	709	-	-	-
Other Assets	130	50	-	1
Total Current Assets	31,422	37,719	16,619	4,756
Noncurrent Assets:				
Prepaid Items	-	-	110	-
Nondepreciable Capital Assets	1,577	-	-	149
Depreciable Capital Assets, Net	17,705	-	-	415
Total Noncurrent Assets	19,282	-	110	564
Total Assets	\$ 50,704	\$ 37,719	\$ 16,729	\$ 5,320
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 10,321	\$ 327	\$ 745	\$ 478
Due to Other Funds	5,170	-	-	-
Interfund Payable	23,440	-	-	-
Deferred Revenue and Deferred Credit	90	577	-	-
Claims Payable	-	10,878	14,886	-
Obligations Under Securities Lending Program	21	2,042	725	-
Other Liabilities	-	-	-	-
Long-Term Liabilities Due within One Year	3,326	43	-	142
Total Current Liabilities	42,368	13,867	16,356	620
Noncurrent Liabilities:				
Interfund Payable	-	-	-	-
Long-Term Liabilities Due in More Than One Year	12,055	6	-	184
Total Noncurrent Liabilities	12,055	6	-	184
Total Liabilities	54,423	13,873	16,356	804
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	13,588	-	-	564
Unrestricted	(17,307)	23,846	373	3,952
Total Net Assets	\$ (3,719)	\$ 23,846	\$ 373	\$ 4,516

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds
\$ 1,311	\$ 120	\$ 10,907	\$ 45,691	\$ 826	\$ 111	\$ 336
-	-	907	3,798	-	-	52
-	-	-	4,071	148	-	-
22	-	-	-	397	66	-
-	-	-	-	-	3	-
-	-	-	-	7	-	-
1,333	120	11,814	53,560	1,378	180	388
-	-	-	-	-	-	-
-	-	-	-	-	-	-
393	-	199	6	-	39	-
393	-	199	6	-	39	-
\$ 1,726	\$ 120	\$ 12,013	\$ 53,566	\$ 1,378	\$ 219	\$ 388
\$ 168	\$ 660	\$ 54	\$ 548	19	\$ 6	\$ -
162	-	1,284	-	-	-	-
-	-	-	-	-	-	-
1,121	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	996	4,174	-	-	-
-	-	-	-	88	-	101
64	25	16	6	1	-	-
1,515	685	2,350	4,728	108	6	101
-	1,450	-	-	-	-	-
93	33	797	7	86	22	-
93	1,483	797	7	86	22	-
1,608	2,168	3,147	4,735	194	28	101
393	-	199	6	-	39	-
(275)	(2,048)	8,667	48,825	1,184	152	287
\$ 118	\$ (2,048)	\$ 8,866	\$ 48,831	\$ 1,184	\$ 191	\$ 287

Continued on next page

**Combining Statement of Net Assets – Nonmajor Enterprise Funds** *(Continued from previous page)*

June 30, 2002

(Dollars in Thousands)

	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 8	2	\$ 92,912
Investments	-	-	19,716
Receivables (Net)	-	-	16,570
Inventory	-	-	29,201
Prepaid Items	-	-	712
Other Assets	-	-	188
Total Current Assets	8	2	159,299
Noncurrent Assets:			
Prepaid Items	-	-	110
Nondepreciable Capital Assets	-	-	1,726
Depreciable Capital Assets, Net	-	-	18,757
Total Noncurrent Assets	-	-	20,593
Total Assets	\$ 8	\$ 2	\$ 179,892
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 13,326
Due to Other Funds	-	-	6,616
Interfund Payable	-	-	23,440
Deferred Revenue and Deferred Credit	-	-	1,788
Claims Payable	-	-	25,764
Obligations Under Securities Lending Program	-	-	7,958
Other Liabilities	-	-	189
Long-Term Liabilities Due within One Year	-	-	3,623
Total Current Liabilities	-	-	82,704
Noncurrent Liabilities:			
Interfund Payable	-	-	1,450
Long-Term Liabilities Due in More Than One Year	-	-	13,283
Total Noncurrent Liabilities	-	-	14,733
Total Liabilities	-	-	97,437
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	-	-	14,789
Unrestricted	8	2	67,666
Total Net Assets	\$ 8	\$ 2	\$ 82,455



**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Nonmajor Enterprise Funds**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Operating Revenues:</b>				
Charges for Sales and Services	\$ 353,027	\$ 5,245	\$ 99,846	\$ 11,106
Other	7,528	9	597	-
Total Operating Revenues	360,555	5,254	100,443	11,106
<b>Operating Expenses:</b>				
Cost of Sales and Services	228,355	-	-	6,174
Prizes and Claims	-	4,209	95,860	-
Personal Services	55,387	561	-	3,535
Contractual Services	11,688	-	6,225	717
Supplies and Materials	1,859	-	-	-
Depreciation and Amortization	5,060	-	-	22
Rent, Insurance, and Other Related Charges	11,324	2,538	-	421
Non-recurring Cost Estimate Payments to Providers	-	-	-	-
Other	2,652	-	-	217
Total Operating Expenses	316,325	7,308	102,085	11,086
Operating Income (Loss)	44,230	(2,054)	(1,642)	20
<b>Nonoperating Revenues (Expenses):</b>				
Interest, Dividends, Rents, and Other Investment Income	21	2,186	419	-
Other	(97)	(69)	(26)	(3)
Total Nonoperating Revenues (Expenses)	(76)	2,117	393	(3)
Income (Loss) Before Transfers	44,154	63	(1,249)	17
Operating Transfers In	103	-	-	-
Operating Transfers Out	(46,240)	-	-	(19)
Change in Net Assets	(1,983)	63	(1,249)	(2)
Total Net Assets, July 1, as restated	(1,736)	23,783	1,622	4,518
Total Net Assets (Deficit), June 30	\$ (3,719)	\$ 23,846	\$ 373	\$ 4,516

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds
\$ 2,801	\$ 16	\$ 9,912	\$ 27,148	\$ 2,391	\$ 549	\$ 549
-	-	-	-	-	-	-
2,801	16	9,912	27,148	2,391	549	549
-	-	-	-	1,084	301	579
-	-	-	-	-	-	-
1,109	680	9,240	223	960	158	-
414	998	1,251	100	62	24	-
783	4	36	7	64	4	-
87	-	32	-	-	15	-
604	372	-	35	-	-	-
-	-	-	20,754	-	-	-
10	11	30	10	5	-	11
3,007	2,065	10,589	21,129	2,175	502	590
(206)	(2,049)	(677)	6,019	216	47	(41)
-	-	-	-	-	-	-
-	-	613	1,944	16	-	-
-	-	(31)	(121)	-	(35)	-
-	-	582	1,823	16	(35)	-
(206)	(2,049)	(95)	7,842	232	12	(41)
-	-	-	-	-	-	-
-	-	-	(125)	(505)	-	-
(206)	(2,049)	(95)	7,717	(273)	12	(41)
324	1	8,961	41,114	1,457	179	328
\$ 118	\$ (2,048)	\$ 8,866	\$ 48,831	\$ 1,184	\$ 191	\$ 287

Continued on next page

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Nonmajor Enterprise Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
<b>Operating Revenues:</b>			
Charges for Sales and Services	\$ 40	\$ 5	\$ 512,635
Other	-	-	8,134
Total Operating Revenues	40	5	520,769
<b>Operating Expenses:</b>			
Cost of Sales and Services	-	6	236,499
Prizes and Claims	-	-	100,069
Personal Services	-	-	71,853
Contractual Services	41	-	21,520
Supplies and Materials	-	-	2,757
Depreciation and Amortization	-	-	5,216
Rent, Insurance, and Other Related Charges	-	-	15,294
Non-recurring Cost Estimate Payments to Providers	-	-	20,754
Other	-	-	2,946
Total Operating Expenses	41	6	476,908
Operating Income (Loss)	(1)	(1)	43,861
<b>Nonoperating Revenues (Expenses):</b>			
Interest, Dividends, Rents, and Other Investment Income	-	-	5,199
Other	-	-	(382)
Total Nonoperating Revenues (Expenses)	-	-	4,817
Income (Loss) Before Transfers	(1)	(1)	48,678
Operating Transfers In	-	-	103
Operating Transfers Out	-	-	(46,889)
Change in Net Assets	(1)	(1)	1,892
Total Net Assets, July 1, as restated	9	3	80,563
Total Net Assets (Deficit), June 30	\$ 8	\$ 2	\$ 82,455





## Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Cash Flows from Operating Activities:</b>				
Receipts for Sales and Services	\$ 353,194	\$ 1,562	\$ 99,714	\$ 7,578
Internal Activity-Receipts from Other Funds	-	-	-	3,828
Internal Activity-Payments to Other Funds	-	-	-	(133)
Payments to Suppliers for Goods and Services	(244,163)	(1,174)	-	(6,125)
Payments for Prizes, Claims, and Loss Control	-	(3,965)	(94,405)	-
Payments to Employees	(53,478)	(583)	-	(3,676)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	-
Other Operating Revenue	7,229	-	-	-
Other Operating Expense	(11,688)	-	(5,722)	(1,236)
Net Cash Provided by (Used for) Operating Activities	51,094	(4,160)	(413)	236
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In From Other Funds	103	-	-	-
Transfers Out to Other Funds	(144,496)	-	-	(19)
Other Noncapital Financing Receipt Activities	101,909	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(42,484)	-	-	(19)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Fixed Assets	(8,661)	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(8,661)	-	-	-
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	-	(4,544)	-	-
Proceeds from Sales or Maturities of Investments	-	3,631	-	-
Investment Income on Cash, Cash Equivalents, and Investments	2	2,089	458	-
Net Cash Provided by (Used for) Investing Activities	2	1,176	458	-
Net Increase (Decrease) in Cash and Cash Equivalents	(49)	(2,984)	45	217
<b>Cash and Cash Equivalents, July 1, as restated</b>	454	25,747	7,894	2,457
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 405</u>	<u>\$ 22,763</u>	<u>\$ 7,939</u>	<u>\$ 2,674</u>
<b>Reconciliation of Cash and Cash Equivalents:</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 275	\$ 22,713	\$ 7,939	\$ 2,673
Cash and Travel Advances	130	50	-	1
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 405</u>	<u>\$ 22,763</u>	<u>\$ 7,939</u>	<u>\$ 2,674</u>

Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds
\$ 2,645	\$ 16	\$ 9,912	\$ 26,058	\$ 2,349	\$ 551	\$ 575
-	-	-	-	-	-	-
-	-	-	(775)	-	-	-
(1,243)	(386)	(72)	(36)	(1,140)	(343)	(579)
-	-	-	-	-	-	-
(1,070)	(589)	(9,090)	(213)	(913)	(139)	-
-	-	-	(20,276)	-	-	-
-	-	-	-	-	-	-
(417)	(372)	(1,313)	(77)	(131)	(24)	(11)
(85)	(1,331)	(563)	4,681	165	45	(15)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(125)	(505)	-	-
-	1,450	-	-	-	-	-
-	1,450	-	(125)	(505)	-	-
(173)	-	-	-	-	(2)	-
(173)	-	-	-	-	(2)	-
-	-	-	-	-	-	(52)
-	-	-	-	-	-	-
-	-	664	2,199	16	-	-
-	-	664	2,199	16	-	(52)
(258)	119	101	6,755	(324)	43	(67)
1,569	1	10,806	38,936	1,157	68	403
<u>\$ 1,311</u>	<u>\$ 120</u>	<u>\$ 10,907</u>	<u>\$ 45,691</u>	<u>\$ 833</u>	<u>\$ 111</u>	<u>\$ 336</u>
-	-	-	-	-	-	-
1,311	120	10,907	45,691	826	111	336
-	-	-	-	7	-	-
<u>\$ 1,311</u>	<u>\$ 120</u>	<u>\$ 10,907</u>	<u>\$ 45,691</u>	<u>\$ 833</u>	<u>\$ 111</u>	<u>\$ 336</u>

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds (Continued from previous page)**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts for Sales and Services	\$ 40	\$ 5	\$ 504,199
Internal Activity-Receipts from Other Funds	-	-	3,828
Internal Activity-Payments to Other Funds	-	-	(908)
Payments to Suppliers for Goods and Services	-	(6)	(255,267)
Payments for Prizes, Claims, and Loss Control	-	-	(98,370)
Payments to Employees	-	-	(69,751)
Payments to Providers for Non-recurring Cost Estimates	-	-	(20,276)
Other Operating Revenue	-	-	7,229
Other Operating Expense	(41)	-	(21,032)
Net Cash Provided by (Used for) Operating Activities	(1)	(1)	49,652
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In From Other Funds	-	-	103
Transfers Out to Other Funds	-	-	(145,145)
Other Noncapital Receipt Activities	-	-	103,359
Net Cash Provided by (Used for) Noncapital Financing Activities	-	-	(41,683)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Fixed Assets	-	-	(8,836)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(8,836)
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investments	-	-	(4,596)
Proceeds from Sales or Maturities of Investments	-	-	3,631
Investment Income on Cash, Cash Equivalents, and Investments	-	-	5,428
Net Cash Provided by (Used for) Investing Activities	-	-	4,463
Net Increase (Decrease) in Cash and Cash Equivalents	(1)	(1)	3,596
<b>Cash and Cash Equivalents, July 1, as restated</b>	9	3	89,504
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 93,100</u>
<b>Reconciliation of Cash and Cash Equivalents</b>			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	\$ 8	\$ 2	\$ 92,912
Cash and Travel Advances	-	-	188
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 8</u>	<u>\$ 2</u>	<u>\$ 93,100</u>

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care	Virginia Industries for the Blind
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 44,230	\$ (2,054)	\$ (1,642)	\$ 20
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation and Amortization	5,060	-	-	22
Miscellaneous Nonoperating Income	21	-	-	-
Other Expenses	(97)	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(70)	(658)	(729)	311
(Increase) Decrease in Inventory	(1,985)	-	-	(187)
(Increase) Decrease in Prepaid Items	88	1,785	-	-
Increase (Decrease) in Accounts Payable	1,922	(193)	(285)	1
Increase (Decrease) in Claims Payable	-	(72)	2,243	-
Increase (Decrease) in Due to Other Funds	-	-	-	-
Increase (Decrease) in Deferred Revenue	15	(3,017)	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	(246)	43	-	45
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	2,156	6	-	24
Net Cash Provided by (Used for) Operating Activities	<u>\$ 51,094</u>	<u>\$ (4,160)</u>	<u>\$ (413)</u>	<u>\$ 236</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	\$ 4,619	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	245	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 4,619</u>	<u>\$ 245</u>	<u>\$ -</u>	<u>\$ -</u>

Continued on next page

**Combining Statement of Cash Flows – Nonmajor Enterprise Funds (Continued from previous page)**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ (206)	\$ (2,049)	\$ (677)	\$ 6,019
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation and Amortization	87	-	32	-
Miscellaneous Nonoperating Income	-	-	-	-
Other Expenses	-	-	7	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2	-	-	(1,089)
(Increase) Decrease in Inventory	20	-	-	-
(Increase) Decrease in Prepaid Items	-	-	-	-
Increase (Decrease) in Accounts Payable	86	660	(43)	(258)
Increase (Decrease) in Claims Payable	-	-	-	-
Increase (Decrease) in Due to Other Funds	55	-	(14)	-
Increase (Decrease) in Deferred Revenue	(158)	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due Within One Year	15	25	(36)	6
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	14	33	168	3
Net Cash Provided by (Used for) Operating Activities	<u>\$ (85)</u>	<u>\$ (1,331)</u>	<u>\$ (563)</u>	<u>\$ 4,681</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	\$ -	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Virginia Museum of Fine Arts	Science Museum of Virginia	Mental Health Local Funds	Division of Legislative Services	School for the Deaf and Blind - Staunton	Total
\$ 216	\$ 47	\$ (41)	\$ (1)	\$ (1)	\$ 43,861
-	15	-	-	-	5,216
-	-	-	-	-	21
-	(35)	-	-	-	(125)
(68)	2	-	-	-	(2,299)
26	(5)	-	-	-	(2,131)
-	(3)	-	-	-	1,870
(56)	6	-	-	-	1,840
-	-	-	-	-	2,171
-	-	-	-	-	41
-	-	-	-	-	(3,160)
25	-	26	-	-	51
-	-	-	-	-	(148)
22	18	-	-	-	2,444
<u>\$ 165</u>	<u>\$ 45</u>	<u>\$ (15)</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 49,652</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,619
-	-	-	-	-	245
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,864</u>





## Internal Service Funds

### Internal Service Funds

*Internal Service Funds account for the operations of State agencies that render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.*

**Department of Information Technology** accounts for the installation and maintenance of the State government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

**Virginia Correctional Enterprises** accounts for the manufacturing activities of the State's correctional facilities.

**Health Care** accounts for the health insurance programs provided to State employees.

**Fleet Management** accounts for the Commonwealth's motor vehicle pool.

**Maintenance and Repair** accounts for services outside the scope of normal maintenance or custodial services provided to agencies by the Bureau of Facilities Management.

**Virginia Distribution Center** accounts for supplies purchased for and used by State agencies.

**Risk Management** accounts for the insurance programs provided to State agencies and institutions.

**Consolidated Laboratory** (*formerly included in Other*) accounts for the Commonwealth's water testing services.

**Federal Surplus Property** (*formerly included in Other*) accounts for the transfer and sale of Federally-owned surplus property.

**State Surplus Property** (*formerly included in Other*) accounts for the transfer and sale of State-owned surplus property.

**Graphic Communications** (*formerly included in Other*) accounts for the Commonwealth's graphic design division.

**Property Disposal** accounts for the disposal of State-owned property.

# Combining Statement of Net Assets – Internal Service Funds

June 30, 2002

(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Division of Fleet Management	Maintenance and Repair
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 3,813	\$ 5,357	\$ 39,055	\$ 2,111	\$ 4,099
Investments	-	-	3,246	-	-
Receivables, Net	2,946	1,482	13,915	164	145
Due From Other Funds	17,152	3,958	12,148	749	532
Inventory	-	9,583	-	35	249
Prepaid Items	2,735	-	-	-	-
Other Assets	8	3	-	-	-
Total Current Assets	26,654	20,383	68,364	3,059	5,025
Noncurrent Assets:					
Prepaid Items	-	-	840	-	-
Nondepreciable Capital Assets	-	-	-	-	-
Depreciable Capital Assets, Net	24,305	5,348	-	30,549	912
Total Noncurrent Assets	24,305	5,348	840	30,549	912
Total Assets	50,959	25,731	69,204	33,608	5,937
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	6,653	1,315	4,441	1,024	1,547
Amounts Due to Other Governments	1,271	1,293	-	624	984
Due to Other Funds	195	46	-	-	-
Interfund Payable	-	-	-	-	-
Deferred Revenue and Deferred Credit	155	51	-	-	1,841
Claims Payable	-	-	79,608	-	-
Obligations Under Securities Lending Program	-	-	3,568	-	-
Other Liabilities	1,251	-	-	-	-
Long-Term Liabilities Due within One Year	4,190	239	-	62	510
Total Current Liabilities	13,715	2,944	87,617	1,710	4,882
Noncurrent Liabilities:					
Interfund Payable	-	-	-	-	-
Claims Payable	-	-	-	-	-
Long-Term Liabilities Due in More Than One Year	12,885	2,611	-	169	1,158
Total Noncurrent Liabilities	12,885	2,611	-	169	1,158
Total Liabilities	26,600	5,555	87,617	1,879	6,040
<b>Net Assets</b>					
Invested in Capital Assets, Net of					
Related Debt	12,150	3,886	-	30,549	626
Unrestricted	12,209	16,290	(18,413)	1,180	(729)
Total Net Assets	\$ 24,359	\$ 20,176	\$ (18,413)	\$ 31,729	\$ (103)

Virginia Distribution Center	Risk Management	Consolidated Lab	Federal Surplus Property	State Surplus Property	Graphics	Property Disposal	Total
\$ 941	\$ 86,137	\$ 220	\$ 354	\$ 361	\$ 114	\$ 134	\$ 142,696
78	6,612	-	-	-	-	-	9,936
633	97	2	63	14	28	-	19,489
679	600	15	15	1	20	-	35,869
3,476	-	21	89	-	-	-	13,453
-	-	-	-	-	-	-	2,735
-	1,300	-	1	1	-	-	1,313
5,807	94,746	258	522	377	162	134	225,491
-	-	-	-	-	-	-	840
-	-	-	150	-	-	-	150
12,281	-	532	168	8	-	-	74,103
12,281	-	532	318	8	-	-	75,093
18,088	94,746	790	840	385	162	134	300,584
803	1,233	72	158	23	16	40	17,325
-	-	-	-	-	-	-	4,172
-	-	-	-	-	-	-	241
1,098	-	-	-	-	-	-	1,098
-	25,341	-	-	-	30	-	27,418
-	63,109	-	-	-	-	-	142,717
86	7,266	-	-	-	-	-	10,920
-	-	-	-	-	-	-	1,251
63	62	87	38	14	13	-	5,278
2,050	97,011	159	196	37	59	40	210,420
8,785	-	-	-	-	-	-	8,785
-	115,219	-	-	-	-	-	115,219
120	152	211	85	28	44	-	17,463
8,905	115,371	211	85	28	44	-	141,467
10,955	212,382	370	281	65	103	40	351,887
2,398	-	532	318	8	-	-	50,467
4,735	(117,636)	(112)	241	312	59	94	(101,770)
\$ 7,133	\$ (117,636)	\$ 420	\$ 559	\$ 320	\$ 59	\$ 94	\$ (51,303)

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Internal Service Funds**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Division of Fleet Management	Maintenance and Repair
<b>Operating Revenues:</b>					
Charges for Sales and Services	\$ 111,739	\$ 35,404	\$ 530,675	\$ 13,235	\$ 24,553
Other	-	-	27	-	-
Total Operating Revenues	111,739	35,404	530,702	13,235	24,553
<b>Operating Expenses:</b>					
Cost of Sales and Services	-	27,250	-	-	-
Prizes and Claims	-	-	536,562	-	-
Personal Services	26,579	3,312	-	879	8,105
Contractual Services	59,263	2,269	32,666	1,587	5,259
Supplies and Materials	417	500	-	1,869	2,290
Depreciation and Amortization	7,188	1,258	-	7,160	169
Rent, Insurance, and Other Related Charges	8,229	201	-	128	7,076
Interest Expense	-	-	-	-	-
Other	1,465	383	-	22	2,017
Total Operating Expenses	103,141	35,173	569,228	11,645	24,916
Operating Income (Loss)	8,598	231	(38,526)	1,590	(363)
<b>Nonoperating Revenues (Expenses):</b>					
Interest, Dividends, Rents, and Other Investment Income	(180)	(303)	3,626	-	-
Other	(3,782)	167	(232)	(164)	-
Total Nonoperating Revenues (Expenses)	(3,962)	(136)	3,394	(164)	-
Income (Loss) Before Transfers	4,636	95	(35,132)	1,426	(363)
Operating Transfers In	-	-	-	-	225
Operating Transfers Out	(687)	(1,203)	-	-	(314)
Change in Net Assets	3,949	(1,108)	(35,132)	1,426	(452)
Total Net Assets, July 1, as restated	20,410	21,284	16,719	30,303	349
Total Net Assets (Deficit), June 30	\$ 24,359	\$ 20,176	\$ (18,413)	\$ 31,729	\$ (103)

Virginia Distribution Center	Risk Management	Consolidated Lab	Federal Surplus Property	State Surplus Property	Graphics	Property Disposal	Total
\$ 31,906	\$ 55,580	\$ 1,845	\$ 1,255	\$ 1,021	\$ 372	\$ 6	\$ 807,591
-	-	-	-	-	-	-	27
31,906	55,580	1,845	1,255	1,021	372	6	807,618
28,354	-	-	-	-	-	-	55,604
-	50,017	-	-	-	-	-	586,579
1,213	1,114	1,281	321	250	274	-	43,328
1,767	-	132	89	407	67	1	103,507
71	-	244	740	12	5	-	6,148
613	-	130	11	11	-	-	16,540
418	9,235	285	135	228	42	-	25,977
454	-	-	-	-	-	-	454
26	198	7	4	1	1	-	4,124
32,916	60,564	2,079	1,300	909	389	1	842,261
(1,010)	(4,984)	(234)	(45)	112	(17)	5	(34,643)
4	3,836	-	-	-	-	-	6,983
929	(253)	(17)	(1)	(5)	-	-	(3,358)
933	3,583	(17)	(1)	(5)	-	-	3,625
(77)	(1,401)	(251)	(46)	107	(17)	5	(31,018)
-	-	252	-	-	-	-	477
-	(29)	-	-	-	-	-	(2,233)
(77)	(1,430)	1	(46)	107	(17)	5	(32,774)
7,210	(116,206)	419	605	213	76	89	(18,529)
\$ 7,133	\$ (117,636)	\$ 420	\$ 559	\$ 320	\$ 59	\$ 94	\$ (51,303)

## Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Division of Fleet Management
<b>Cash Flows from Operating Activities:</b>				
Receipts for Sales and Services	\$ 3,706	\$ 11,468	\$ 94,384	\$ -
Internal Activity-Receipts from Other Funds	102,912	21,363	434,289	13,287
Internal Activity-Payments to Other Funds	(1,940)	(2,514)	-	-
Payments to Suppliers for Goods and Services	(7,647)	(17,646)	-	(1,571)
Payments for Prizes, Claims, and Loss Control	-	-	(531,840)	-
Payments to Employees	(26,195)	(8,461)	-	(855)
Other Operating Revenue	1	-	-	-
Other Operating Expense	(68,525)	(3,128)	(33,558)	(820)
Net Cash Provided by (Used for) Operating Activities	2,312	1,082	(36,725)	10,041
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers In From Other Funds	-	-	-	-
Transfers Out to Other Funds	(687)	(1,203)	-	-
Other Noncapital Financing Receipt Activities	-	229	-	-
Other Noncapital Financing Disbursement Activities	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(687)	(974)	-	-
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(3,236)	(1,719)	-	(10,242)
Payment of Principal and Interest on Bonds and Notes	(4,804)	(593)	-	-
Proceeds from Sale of Capital Assets	23	-	-	615
Other Capital and Related Financing Receipt Activities	-	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(8,017)	(2,312)	-	(9,627)
<b>Cash Flows from Investing Activities:</b>				
Investment Income on Cash, Cash Equivalents, and Investments	-	-	3,715	-
Net Cash Provided by (Used for) Investing Activities	-	-	3,715	-
Net Increase (Decrease) in Cash and Cash Equivalents	(6,392)	(2,204)	(33,010)	414
<b>Cash and Cash Equivalents, July 1, as restated</b>	<b>10,213</b>	<b>7,564</b>	<b>72,065</b>	<b>1,697</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ 3,821</b>	<b>\$ 5,360</b>	<b>\$ 39,055</b>	<b>\$ 2,111</b>
<b>Reconciliation of Cash and Cash Equivalents:</b>				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	\$ 3,813	\$ 5,357	\$ 39,055	\$ 2,111
Cash and Travel Advances	8	3	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 3,821</u>	<u>\$ 5,360</u>	<u>\$ 39,055</u>	<u>\$ 2,111</u>

Maintenance and Repair	Virginia Distribution Center	Risk Management	Consolidated Lab	Federal Surplus Property	State Surplus Property	Graphics	Property Disposal	Total
\$ 32	\$ 5,269	\$ -	\$ -	\$ 287	\$ 136	\$ -	\$ -	\$ 115,282
26,171	26,742	61,008	1,833	961	881	401	6	689,854
-	-	-	-	-	-	-	-	(4,454)
(24,348)	(29,383)	(18,157)	(539)	(865)	(239)	(49)	-	(100,444)
-	-	(43,072)	-	-	-	-	-	(574,912)
-	(1,197)	(1,092)	(1,364)	(325)	(262)	(264)	-	(40,015)
-	-	-	-	-	-	-	-	1
-	(1,741)	-	(119)	(84)	(405)	(67)	(1)	(108,448)
1,855	(310)	(1,313)	(189)	(26)	111	21	5	(23,136)
225	-	-	252	-	-	-	-	477
(314)	-	(21)	-	-	-	-	-	(2,225)
-	2	-	-	-	-	-	-	231
(201)	(13)	-	-	-	-	-	-	(214)
(290)	(11)	(21)	252	-	-	-	-	(1,731)
-	(2,148)	-	(56)	-	-	-	-	(17,401)
-	-	-	-	-	-	-	-	(5,397)
-	1,256	-	-	-	-	-	-	1,894
-	-	-	-	-	1	-	-	1
-	(892)	-	(56)	-	1	-	-	(20,903)
-	8	3,918	-	-	-	-	-	7,641
-	8	3,918	-	-	-	-	-	7,641
1,565	(1,205)	2,584	7	(26)	112	21	5	(38,129)
2,534	2,146	84,853	213	381	250	93	129	182,138
\$ 4,099	\$ 941	\$ 87,437	\$ 220	\$ 355	\$ 362	\$ 114	\$ 134	\$ 144,009
\$ 4,099	\$ 941	\$ 86,137	\$ 220	\$ 354	\$ 361	\$ 114	\$ 134	\$ 142,696
-	-	1,300	-	1	1	-	-	1,313
\$ 4,099	\$ 941	\$ 87,437	\$ 220	\$ 355	\$ 362	\$ 114	\$ 134	\$ 144,009

Continued on next page

**Combining Statement of Cash Flows – Internal Service Funds** (Continued from previous page)

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Department of Information Technology	Virginia Correctional Enterprises	Health Care	Division of Fleet Management
<b>Reconciliation of Operating Income</b>				
<b>To Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Operating Income (Loss)	\$ 8,598	\$ 231	\$ (38,526)	\$ 1,590
<b>Adjustments to Reconcile Operating</b>				
<b>Income to Net Cash Provided by (Used for)</b>				
<b>Operating Activities:</b>				
Depreciation and Amortization	7,188	1,258	-	7,160
Miscellaneous Nonoperating Income	1	-	-	-
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(5,232)	(2,239)	(2,029)	49
(Increase) Decrease in Due From Other Funds	-	-	-	-
(Increase) Decrease in Inventory	-	874	-	(35)
(Increase) Decrease in Prepaid Items	(723)	-	-	-
Increase (Decrease) in Accounts Payable	(9,287)	(127)	(1,734)	631
Increase (Decrease) in Amounts Due to Other Governments	-	1,293	-	624
Increase (Decrease) in Claims Payable	-	-	5,564	-
Increase (Decrease) in Interfund Payable	-	-	-	-
Increase (Decrease) in Deferred Revenue	113	(339)	-	-
Increase (Decrease) in Other Liabilities	1,251	-	-	-
Increase (Decrease) in Long-Term Liabilities: Due within One Year	(36)	-	-	62
Increase (Decrease) in Long-Term Liabilities: Due in More Than One Year	439	131	-	(40)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,312</u>	<u>\$ 1,082</u>	<u>\$ (36,725)</u>	<u>\$ 10,041</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	\$ 12,534	\$ -	\$ -	\$ -
Capital Asset Addition Included in Accounts Payable	-	(59)	-	-
Total Noncash, Investing, Capital, and Financing Activities	<u>\$ 12,534</u>	<u>\$ (59)</u>	<u>\$ -</u>	<u>\$ -</u>



<u>Maintenance and Repair</u>	<u>Virginia Distribution Center</u>	<u>Risk Management</u>	<u>Consolidated Lab</u>	<u>Federal Surplus Property</u>	<u>State Surplus Property</u>	<u>Graphics</u>	<u>Property Disposal</u>	<u>Total</u>
\$ (363)	\$ (1,010)	\$ (4,984)	\$ (234)	\$ (45)	\$ 112	\$ (17)	\$ 5	\$ (34,643)
169	613	-	130	11	11	-	-	16,540
-	-	-	-	-	-	-	-	1
(267)	110	125	(12)	(2)	(4)	(1)	-	(9,502)
-	-	400	-	-	-	-	-	400
28	557	-	(3)	(43)	-	-	-	1,378
-	-	-	-	-	-	-	-	(723)
73	(1,725)	(1,457)	(45)	56	(4)	-	-	(13,619)
235	-	-	-	-	-	-	-	2,152
-	-	(2,107)	-	-	-	-	-	3,457
-	1,098	-	-	-	-	-	-	1,098
1,840	-	6,609	-	-	-	30	-	8,253
-	-	-	-	-	-	-	-	1,251
(25)	(2)	62	(22)	-	(6)	-	-	33
165	49	39	(3)	(3)	2	9	-	788
<u>\$ 1,855</u>	<u>\$ (310)</u>	<u>\$ (1,313)</u>	<u>\$ (189)</u>	<u>\$ (26)</u>	<u>\$ 111</u>	<u>\$ 21</u>	<u>\$ 5</u>	<u>\$ (23,136)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,534
-	-	-	-	-	-	-	-	(59)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,475</u>

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## Fiduciary Funds

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### Private Purpose Funds

*Private Purpose Funds are trust arrangements that benefit individuals, private organizations, or other governments.*

**Unclaimed Property** accounts for unclaimed and escheat property.

**Virginia College Savings Plan** accounts for the Virginia Education Savings Trust and College America, which are voluntary, non-guaranteed, higher educational investment programs.

**Loan Servicing Reserve** accounts for funds that are used to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

**Edvantage Reserve** accounts for funds that are used to meet the provisions of the dissolved Student Education Assistance Authority.

**Virginia Revolving Farm Loan** accounts for trust funds that are used for rural rehabilitation purposes.

**Miscellaneous Trust Funds** account for perpetual trusts created through donation to the state. Earnings are used for the benefit of donor-specified local entities.

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### Pension Trust Funds

*Pension Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) for the Commonwealth.*

**The Virginia Retirement System** provides retirement benefits to Commonwealth employees and teachers.

**The State Police Officers' Retirement System** provides retirement benefits to Virginia state police officers.

**The Judicial Retirement System** provides retirement benefits to the Commonwealth's judiciary.

**The Virginia Law Officers' Retirement System** provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

**Political Appointees** provides optional retirement benefits to selected officials and administrative staff.

**Other Employment Retiree Health Insurance Credit Fund** accounts for the State provided health insurance credits which offset a portion of the retirees' monthly insurance premiums.

**Other Employment Group Life Fund** provides life insurance coverage to members of the retirement systems.

**Other Employment Virginia Sickness and Disability** provides income protection to State employees for absences caused by sickness or disability.

**Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund** provides optional retirement benefits to volunteer firefighters and rescue squad workers.

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### Investment Trust Funds

*Investment Trust Funds reflect the external portions of the investment pools sponsored by the Commonwealth.*

**Local Government Investment Pool (LGIP)** helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

**State Non-Arbitrage Pool (SNAP)** provides investment vehicles for local governmental entities to invest bond proceeds to ensure compliance with the Internal Revenue Code of 1986, as amended.

**SNAP Individual Investment Accounts** represent the aggregate activity of SNAP accounts which are established for specific local governmental entities.

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## Agency Funds

*Agency Funds report those funds for which the State acts solely in a custodial capacity. A description of the funds is presented below.*

**Funds for the Collection of Taxes and Fees** account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

**Employee Benefits Fund** accounts for undistributed withholdings for employee benefits.

**Mined Land Deposits Fund** accounts for reimbursable deposits, including both cash and securities, from mining companies to ensure reclamation of mined lands.

**Deposits of Insurance Carriers Fund** accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

**Inmate and Ward Fund** accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

**Child Support Collections Fund** accounts for court-ordered child support payments that flow through the Department of Social Services.

**Mental Health Patient Fund** accounts for the savings of patients in the Commonwealth's mental health facilities.

**Optional Life Insurance Fund** accounts for optional life insurance payments collected from employees as a supplement to the state's basic life insurance plan.

**Comptroller's Debt Setoff Fund** accounts for monies withheld from vendors to offset debts owed the Commonwealth by those vendors.

**Main Street Station Property Fund** accounts for a portion of the proceeds from the sale of Main Street Station. These funds being held in escrow will be used to partially defease the bonds that were used to refinance the property.

**Unclaimed Property of Other States Fund** accounts for unclaimed property that is due to other states.

**Legal Settlement Fund** accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

**Consumer Services Fund** accounts for funds used for consumer protection.

**Department of Emergency Management Fund** accounts for donations from citizens for disaster relief efforts.

**Department of State Police Fund** accounts for seized assets.

**Aviation Fund** accounts for funds held in lieu of insurance for pilot licensure.

**Virginia Department of Transportation Fund** accounts for funds used for transportation conferences.

**Virginia School for the Deaf and the Blind Fund** accounts for funds used to establish new activities for students.

**Woodrow Wilson Rehabilitation Center Fund** accounts for funds for students.

**Dog and Cat Sterilization Fund** accounts for the proceeds from license plate sales that are remitted to localities for assistance with dog and cat sterilization programs.

**Milk Commission Fund** accounts for deposits of farmers to offset delivery expenses and losses incurred.

# Combining Statement of Fiduciary Net Assets – Private Purpose Funds

June 30, 2002

(Dollars in Thousands)

	Unclaimed Property	Virginia College Savings Plan	Loan Servicing Reserve
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,886	\$ 4,570	\$ 545
Investments			
Bonds and Mortgage Securities	4	-	-
Stocks	32,008	14,661	-
Index and Pooled Funds	-	39,142	-
Short-term Investments	-	1,079,177	-
Other	13,092	24,759	-
Total Investments	45,104	1,157,739	-
Receivables			
Interest and Dividends	-	180	-
Other Receivables	-	-	-
Total Receivables	-	180	-
Other Assets	-	-	-
Total Assets	49,990	1,162,489	545
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	415	-	-
Obligations Under Securities Lending Program	488	-	-
Other Liabilities	-	73	-
Compensated Absences Payable	82	-	-
Insurance Premiums and Claims Payable	13,574	-	-
Pension Liability	41	-	-
Total Liabilities	14,600	73	-
Net Assets Held in Trust for Participants	\$ 35,390	\$ 1,162,416	\$ 545

<b>Edvantage Reserve</b>	<b>Virginia Farm Loan Revolving</b>	<b>Miscellaneous Trust</b>	<b>Total</b>
\$ 1,573	\$ 5,349	\$ 24	\$ 16,947
-	-	-	4
-	-	-	46,669
-	-	-	39,142
-	-	12	1,079,189
131	445	30	38,457
131	445	42	1,203,461
-	-	-	-
-	-	-	180
-	360	-	360
-	360	-	540
-	10	-	10
1,704	6,164	66	1,220,958
-	-	-	-
21	-	-	436
144	489	-	1,121
-	-	-	73
-	8	-	90
-	-	-	13,574
-	1	-	42
165	498	-	15,336
\$ 1,539	\$ 5,666	\$ 66	\$ 1,205,622

# Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Funds

For the Fiscal Year June 30, 2002  
(Dollars in Thousands)

	Unclaimed Property	Virginia College Savings Plan	Loan Servicing Reserve
<b>Additions:</b>			
Investment Income:			
Interest, Dividends, and Other			
Investment Income	\$ (6,709)	\$ 16,887	\$ -
Total Investment Income	(6,709)	16,887	-
Less Investment Expenses	-	1,045	-
Net Investment Income	(6,709)	15,842	-
Proceeds from Unclaimed Property	36,988	-	-
Contributions:			
Participant	-	1,106,263	-
Total Contributions	-	1,106,263	-
Other Revenue	258	709	-
Total Additions	30,537	1,122,814	-
<b>Deductions:</b>			
General Government	38,788	-	-
Education	-	-	-
Resources and Economic Development	-	-	-
Tuition Benefits	-	12,227	-
Administrative Expenses	-	707	-
Shares Redeemed	-	9,732	-
Total Deductions	38,788	22,666	-
Net Increase (Decrease)	(8,251)	1,100,148	-
Net Assets Held in Trust for Participants			
<b>July 1, as restated</b>	43,641	62,268	545
<b>June 30</b>	<u>\$ 35,390</u>	<u>\$ 1,162,416</u>	<u>\$ 545</u>

<b>Edvantage Reserve</b>	<b>Virginia Farm Loan Revolving</b>	<b>Miscellaneous Trust</b>	<b>Total</b>
\$ 72	\$ 331	\$ 2	\$ 10,583
72	331	2	10,583
-	-	-	1,045
72	331	2	9,538
-	-	-	36,988
-	-	-	1,106,263
-	-	-	1,106,263
29	-	-	996
101	- 331	2	1,153,785
100	18	1	38,907
-	-	1	1
-	106	-	106
-	-	-	12,227
-	-	-	707
-	-	-	9,732
100	124	2	61,680
1	207	-	1,092,105
1,538	5,459	66	113,517
\$ 1,539	\$ 5,666	\$ 66	\$ 1,205,622

## Combining Statement of Fiduciary Net Assets – Pension Trust Funds

June 30, 2002

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
<b>Assets</b>				
Cash and Cash Equivalents	\$ 96,581	\$ 1,228	\$ 678	\$ 1,015
Investments				
Bonds and Mortgage Securities	9,142,650	119,051	65,822	98,392
Stocks	7,701,623	100,286	55,447	82,885
Fixed Income Commingled Funds	280,621	3,654	2,020	3,020
Index and Pooled Funds	11,795,507	153,593	84,921	126,944
Real Estate	1,140,931	14,856	8,214	12,279
Venture Capital	2,063,561	26,871	14,856	22,208
Short-term Investments	814,321	10,603	5,863	8,764
Other	2,605,078	33,922	18,755	28,036
Total Investments	35,544,292	462,836	255,898	382,528
Receivables				
Contributions	86,924	185	100	754
Interest and Dividends	118,368	1,541	852	1,274
Receivable for Security Transactions	1,363,864	17,759	9,819	14,678
Other Receivables	256,593	3,328	1,840	2,751
Total Receivables	1,825,749	22,813	12,611	19,457
Due from Fiduciary Funds	1,525	1,862	1,730	1,037
Furniture and Equipment	6,447	-	-	-
Total Assets	37,474,594	488,739	270,917	404,037
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	271,688	3,525	1,949	2,913
Due to Fiduciary Funds	9,161	121	-	-
Obligations Under Securities Lending Program	2,605,078	33,922	18,755	28,036
Other Liabilities	904	6	3	5
Retirement Benefits Payable	129,089	1,814	1,576	904
Refunds Payable	6,091	25	-	557
Compensated Absences Payable	1,121	-	-	-
Insurance Premiums and Claims Payable	-	-	-	-
Payable for Security Transactions	2,003,153	26,084	14,420	21,558
Pension Liability	798	10	6	1
Total Liabilities	5,027,083	65,507	36,709	53,974
Net Assets Held in Trust for Pension/ Other Employment Benefits	\$ 32,447,511	\$ 423,232	\$ 234,208	\$ 350,063



Political Appointees	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
\$ -	\$ 215	\$ 2,523	\$ 163	\$ 23	\$ 102,426
407	20,911	244,757	15,865	-	9,707,855
1,257	17,615	206,180	13,364	-	8,178,657
-	642	7,512	487	-	297,956
227	26,979	315,777	20,468	-	12,524,416
-	2,610	30,544	1,980	-	1,211,414
-	4,720	55,243	3,581	-	2,191,040
-	1,863	21,800	1,413	-	864,627
	5,958	69,740	4,520	164	2,766,173
1,891	81,298	951,553	61,678	164	37,742,138
-	2,481	1,346	1,352	-	93,142
-	271	3,169	205	-	125,680
-	3,119	36,512	2,367	-	1,448,118
-	597	6,842	1,595	-	273,546
-	6,468	47,869	5,519	-	1,940,486
-	4,654	-	-	-	10,808
-	-	-	-	-	6,447
1,891	92,635	1,001,945	67,360	187	39,802,305
-	5,448	7,247	911	-	293,681
-	352	2,524	502	-	12,660
-	5,958	69,740	4,520	-	2,766,009
-	-	11	-	-	929
-	-	-	-	-	133,383
-	109	519	44	-	7,345
-	-	-	-	-	1,121
-	-	29,678	-	-	29,678
-	4,584	53,625	3,477	-	2,126,901
-	12	33	8	-	868
-	16,463	163,377	9,462	-	5,372,575
\$ 1,891	\$ 76,172	\$ 838,568	\$ 57,898	\$ 187	\$ 34,429,730

## Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Virginia Law Officers' Retirement System
<b>Additions:</b>				
Investment Income:				
Interest, Dividends, and Other				
Investment Income	\$ (2,514,930)	\$ (32,611)	\$ (18,144)	\$ (29,533)
Less Investment Expenses	153,052	1,985	1,104	1,797
Net Investment Income	(2,667,982)	(34,596)	(19,248)	(31,330)
Contributions:				
Member	598,495	4,794	2,438	16,637
Employer	375,741	10,180	10,662	25,511
Total Contributions	974,236	14,974	13,100	42,148
Other Revenue	286	-	-	-
Total Additions	(1,693,460)	(19,622)	(6,148)	10,818
<b>Deductions:</b>				
Retirement Benefits	1,389,815	20,607	18,884	8,485
Refunds to Former Members	69,235	559	-	3,657
Retiree Health Insurance Credits	-	-	-	-
Insurance Premiums and Claims	-	-	-	-
Administrative Expenses	15,284	188	106	58
Other Expenses	2,449	-	-	-
Long Term Disability Benefits	-	-	-	-
Total Deductions	1,476,783	21,354	18,990	12,200
<b>Transfers:</b>				
Operating Transfers In	-	-	-	1,313
Operating Transfers Out	(1,313)	-	-	-
Total Transfers	(1,313)	-	-	1,313
Net Increase (Decrease)	(3,171,556)	(40,976)	(25,138)	(69)
Net Assets Held in Trust for Pension/ Other Employment Benefits				
<b>July 1, as restated</b>	35,619,067	464,208	259,346	350,132
<b>June 30</b>	<u>\$ 32,447,511</u>	<u>\$ 423,232</u>	<u>\$ 234,208</u>	<u>\$ 350,063</u>

Political Appointees	Other Employment Retiree Health Insurance Credit	Other Employment Group Life	Other Employment Virginia Sickness and Disability	Other Employment Volunteer Firefighters and Rescue Squad Workers	Total
\$ (279)	\$ (4,788)	\$ (67,891)	\$ (3,781)	\$ (6)	\$ (2,671,963)
-	292	4,130	231	-	162,591
(279)	(5,080)	(72,021)	(4,012)	(6)	(2,834,554)
455	-	41,282	-	117	664,218
194	85,209	27,518	27,850	51	562,916
649	85,209	68,800	27,850	168	1,227,134
-	-	-	-	-	286
370	80,129	(3,221)	23,838	162	(1,607,134)
568	-	-	-	-	1,438,359
-	-	-	-	-	73,451
-	57,590	-	-	-	57,590
-	-	95,625	-	-	95,625
6	341	481	499	-	16,963
-	-	198	-	-	2,647
-	-	-	11,578	-	11,578
574	57,931	96,304	12,077	-	1,696,213
-	-	-	-	-	1,313
-	-	-	-	-	(1,313)
-	-	-	-	-	-
(204)	22,198	(99,525)	11,761	162	(3,303,347)
2,095	53,974	938,093	46,137	25	37,733,077
\$ 1,891	\$ 76,172	\$ 838,568	\$ 57,898	\$ 187	\$ 34,429,730

# **Combining Statement of Fiduciary Net Assets – Investment Trust Funds**

June 30, 2002

(Dollars in Thousands)

	Local Government Investment Pool	State Non-Arbitrage Pool (SNAP)	SNAP Individual Investment Accounts	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,495,389	\$ -	\$ -	\$ 1,495,389
Investments				
Bonds and Mortgage Securities	-	-	9,725	9,725
Short-term Investments	782,645	1,145,648	-	1,928,293
Other	-	-	4,625	4,625
Total Investments	782,645	1,145,648	14,350	1,942,643
Receivables				
Interest and Dividends	2,313	3,813	116	6,242
Other Assets	-	34	-	34
Total Assets	2,280,347	1,149,495	14,466	3,444,308
<b>Liabilities</b>				
Other Liabilities	-	1,512	-	1,512
Total Liabilities	-	1,512	-	1,512
Net Assets Held in Trust for Pool Participants	\$ 2,280,347	\$ 1,147,983	\$ 14,466	\$ 3,442,796

# Combining Statement of Changes in Plan Net Assets - Investment Trust Funds

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Local Government Investment Pool	State Non-Arbitrage Pool (SNAP)	SNAP Individual Investment Accounts	Total
<b>Additions:</b>				
Investment Income:				
Interest, Dividends, and Other				
Investment Income	\$ 45,661	\$ 22,581	\$ 2,668	\$ 70,910
Distributions to Shareholders from Net Investment Income	(45,661)	(22,581)	36	(68,206)
Net Investment Income	-	-	2,704	2,704
Shares Sold	3,528,146	1,140,859	-	4,669,005
Reinvested Distributions	45,661	22,766	-	68,427
Total Additions	3,573,807	1,163,625	2,704	4,740,136
<b>Deductions:</b>				
Shares Redeemed	(3,317,303)	(1,014,667)	-	(4,331,970)
Total Deductions	(3,317,303)	(1,014,667)	-	(4,331,970)
<b>Transfers:</b>				
Maturities	-	24,125	(24,125)	-
Investment Income	-	1,077	(1,077)	-
Total Transfers	-	25,202	(25,202)	-
Net Increase (Decrease)	256,504	174,160	(22,498)	408,166
Net Assets Held in Trust for Pool Participants				
<b>July 1, as restated</b>	2,023,843	973,823	36,964	3,034,630
<b>June 30</b>	\$ 2,280,347	\$ 1,147,983	\$ 14,466	\$ 3,442,796

# **Combining Statement of Fiduciary Net Assets – Agency Funds**

June 30, 2002

(Dollars in Thousands)

	<b>Funds for the Collection of Taxes</b>	<b>Employee Benefits</b>	<b>Mined Land Deposits</b>	<b>Deposits of Insurance Carriers</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 140,003	\$ 2,835	\$ 9,591	\$ 4,522
Investments				
Short-term Investments	-	-	-	367,723
Other	-	-	632	-
Total Investments	-	-	632	367,723
Receivables				
Accounts	38,755	-	-	-
Total Receivables	38,755	-	-	-
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	<u>\$ 178,758</u>	<u>\$ 2,835</u>	<u>\$ 10,223</u>	<u>\$ 372,245</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ 2,835	\$ -	\$ -
Amounts Due to Other Governments	178,758	-	-	-
Due to Other Funds	-	-	-	-
Obligations Under Securities Lending Program	-	-	694	-
Other Liabilities	-	-	9,529	372,245
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	<u>\$ 178,758</u>	<u>\$ 2,835</u>	<u>\$ 10,223</u>	<u>\$ 372,245</u>

<u>Inmate and Ward</u>	<u>Child Support Collection</u>	<u>Mental Health Patient</u>	<u>Optional Life Insurance</u>	<u>Comptroller's Debt Setoff</u>	<u>Main Street Station Property</u>
\$ 3,692	\$ 16,784	\$ 1,916	\$ 1,198	\$ 1,156	\$ 18
477	-	431	-	-	-
-	-	25	-	-	1,450
477	-	456	-	-	1,450
493	-	-	-	-	31
493	-	-	-	-	31
-	172	-	-	-	-
-	-	-	1,852	-	-
<u>\$ 4,662</u>	<u>\$ 16,956</u>	<u>\$ 2,372</u>	<u>\$ 3,050</u>	<u>\$ 1,156</u>	<u>\$ 1,499</u>
\$ 77	\$ 264	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
67	5,276	-	-	-	-
-	-	-	-	-	-
4,518	11,416	2,372	-	1,156	1,499
-	-	-	3,050	-	-
<u>\$ 4,662</u>	<u>\$ 16,956</u>	<u>\$ 2,372</u>	<u>\$ 3,050</u>	<u>\$ 1,156</u>	<u>\$ 1,499</u>

Continued on next page

**Combining Statement of Fiduciary Net Assets – Agency Funds** *(Continued from previous page)*

June 30, 2002

(Dollars in Thousands)

	Unclaimed Property of Other States	Legal Settlement	Consumer Services	Emergency Management Donation
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,028	\$ 1,019	\$ 333	\$ 420
Investments				
Short-term Investments	-	-	156	-
Other	-	-	-	-
Total Investments	-	-	156	-
Receivables				
Accounts	-	-	-	-
Total Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Fiduciary Funds	-	-	-	-
Total Assets	<u>\$ 3,028</u>	<u>\$ 1,019</u>	<u>\$ 489</u>	<u>\$ 420</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -
Amounts Due to Other Governments	3,028	-	-	-
Due to Other Funds	-	-	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	1,019	489	420
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	<u>\$ 3,028</u>	<u>\$ 1,019</u>	<u>\$ 489</u>	<u>\$ 420</u>



<u>Department of State Police</u>	<u>Aviation</u>	<u>Virginia Department of Transportation</u>	<u>Virginia School for the Deaf and Blind</u>	<u>Woodrow Wilson Rehabilitation Center</u>	<u>Dog and Cat Sterilization</u>
\$ 48	\$ 33	\$ 39	\$ 33	\$ 6	\$ 2
25	17	-	-	-	-
-	-	-	-	-	-
25	17	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 73	\$ 50	\$ 39	\$ 33	\$ 6	\$ 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	2
-	-	-	-	-	-
-	-	-	-	-	-
73	50	39	33	6	-
-	-	-	-	-	-
\$ 73	\$ 50	\$ 39	\$ 33	\$ 6	\$ 2

Continued on next page

**Combining Statement of Fiduciary Net Assets – Agency Funds** *(Continued from previous page)*

June 30, 2002

(Dollars in Thousands)

	<b>Milk Commission</b>	<b>Total</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1	\$ 186,677
Investments		
Short-term Investments	-	368,829
Other	-	2,107
Total Investments	-	370,936
Receivables		
Accounts	-	39,279
Total Receivables	-	39,279
Due from Other Funds	-	172
Due from Fiduciary Funds	-	1,852
Total Assets	\$ 1	\$ 598,916
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 1	\$ 3,177
Amounts Due to Other Governments	-	181,788
Due to Other Funds	-	5,343
Obligations Under Securities Lending Program	-	694
Other Liabilities	-	404,864
Insurance Premiums and Claims Payable	-	3,050
Total Liabilities	\$ 1	\$ 598,916

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds**

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	<b>Balance July 1, as restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30</b>
<b>Funds for the Collection of Taxes and Fees</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 91,828	\$ 990,833	\$ 942,658	\$ 140,003
Accounts Receivable (Net)	75,809	38,755	75,809	38,755
Total Assets	<u>\$ 167,637</u>	<u>\$ 1,029,588</u>	<u>\$ 1,018,467</u>	<u>\$ 178,758</u>
<b>Liabilities:</b>				
Amounts Due to Other Governments	\$ 167,637	\$ 1,029,588	\$ 1,018,467	\$ 178,758
Total Liabilities	<u>\$ 167,637</u>	<u>\$ 1,029,588</u>	<u>\$ 1,018,467</u>	<u>\$ 178,758</u>
<b>Employee Benefits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,611	\$ 158,162	\$ 157,938	\$ 2,835
Total Assets	<u>\$ 2,611</u>	<u>\$ 158,162</u>	<u>\$ 157,938</u>	<u>\$ 2,835</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2,611	\$ 158,162	\$ 157,938	\$ 2,835
Total Liabilities	<u>\$ 2,611</u>	<u>\$ 158,162</u>	<u>\$ 157,938</u>	<u>\$ 2,835</u>
<b>Mined Land Deposits</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 8,950	\$ 1,602	\$ 961	\$ 9,591
Investments - Other	935	632	935	632
Total Assets	<u>\$ 9,885</u>	<u>\$ 2,234</u>	<u>\$ 1,896</u>	<u>\$ 10,223</u>
<b>Liabilities:</b>				
Due to Other Funds	\$ 38	\$ -	\$ 38	\$ -
Obligations Under Securities Lending Program	935	694	935	694
Other Liabilities	8,912	1,540	923	9,529
Total Liabilities	<u>\$ 9,885</u>	<u>\$ 2,234</u>	<u>\$ 1,896</u>	<u>\$ 10,223</u>
<b>Deposits of Insurance Carriers</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3,466	\$ 1,469	\$ 413	\$ 4,522
Investments - Short-term	327,491	157,152	116,920	367,723
Total Assets	<u>\$ 330,957</u>	<u>\$ 158,621</u>	<u>\$ 117,333</u>	<u>\$ 372,245</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 330,957	\$ 158,621	\$ 117,333	\$ 372,245
Total Liabilities	<u>\$ 330,957</u>	<u>\$ 158,621</u>	<u>\$ 117,333</u>	<u>\$ 372,245</u>

Continued on next page

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Inmate and Ward</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3,320	\$ 372	\$ -	\$ 3,692
Investments - Short-term	441	36	-	477
Accounts Receivable (Net)	511	-	18	493
<b>Total Assets</b>	<b>\$ 4,272</b>	<b>\$ 408</b>	<b>\$ 18</b>	<b>\$ 4,662</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 90	\$ 3	\$ 16	\$ 77
Due to Other Funds	-	67	-	67
Other Liabilities	4,182	336	-	4,518
<b>Total Liabilities</b>	<b>\$ 4,272</b>	<b>\$ 406</b>	<b>\$ 16</b>	<b>\$ 4,662</b>
<b>Child Support Collections</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,798	\$ 484,743	\$ 479,757	\$ 16,784
Due from Other Funds	152	172	152	172
<b>Total Assets</b>	<b>\$ 11,950</b>	<b>\$ 484,915</b>	<b>\$ 479,909</b>	<b>\$ 16,956</b>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ 264	\$ -	\$ 264
Due to Other Funds	520	5,276	520	5,276
Other Liabilities	11,430	479,710	479,724	11,416
<b>Total Liabilities</b>	<b>\$ 11,950</b>	<b>\$ 485,250</b>	<b>\$ 480,244</b>	<b>\$ 16,956</b>
<b>Mental Health Patient</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,800	\$ 3,128	\$ 3,012	\$ 1,916
Investments - Short-term	542	-	111	431
Investments - Other	25	-	-	25
<b>Total Assets</b>	<b>\$ 2,367</b>	<b>\$ 3,128</b>	<b>\$ 3,123</b>	<b>\$ 2,372</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 2,367	\$ 3,128	\$ 3,123	\$ 2,372
<b>Total Liabilities</b>	<b>\$ 2,367</b>	<b>\$ 3,128</b>	<b>\$ 3,123</b>	<b>\$ 2,372</b>
<b>Optional Life Insurance</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,221	\$ 15,947	\$ 15,970	\$ 1,198
Due from Fiduciary Funds	1,728	124	-	1,852
<b>Total Assets</b>	<b>\$ 2,949</b>	<b>\$ 16,071</b>	<b>\$ 15,970</b>	<b>\$ 3,050</b>
<b>Liabilities:</b>				
Insurance Premiums and Claims Payable	\$ 2,949	\$ 101	\$ -	\$ 3,050
<b>Total Liabilities</b>	<b>\$ 2,949</b>	<b>\$ 101</b>	<b>\$ -</b>	<b>\$ 3,050</b>

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Comptroller's Debt Setoff</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,302	\$ 7,541	\$ 7,687	\$ 1,156
Total Assets	<u>\$ 1,302</u>	<u>\$ 7,541</u>	<u>\$ 7,687</u>	<u>\$ 1,156</u>
Liabilities:				
Other Liabilities	\$ 1,302	\$ 7,541	\$ 7,687	\$ 1,156
Total Liabilities	<u>\$ 1,302</u>	<u>\$ 7,541</u>	<u>\$ 7,687</u>	<u>\$ 1,156</u>
<b>Main Street Station Property</b>				
Assets:				
Cash and Cash Equivalents	\$ 20	\$ 1	\$ 3	\$ 18
Investments - Other	1,620	81	251	1,450
Accounts Receivable (Net)	-	31	-	31
Total Assets	<u>\$ 1,640</u>	<u>\$ 113</u>	<u>\$ 254</u>	<u>\$ 1,499</u>
Liabilities:				
Other Liabilities	\$ 1,640	\$ 113	\$ 254	\$ 1,499
Total Liabilities	<u>\$ 1,640</u>	<u>\$ 113</u>	<u>\$ 254</u>	<u>\$ 1,499</u>
<b>Unclaimed Property of Other States</b>				
Assets:				
Cash and Cash Equivalents	\$ 508	\$ 3,028	\$ 508	\$ 3,028
Total Assets	<u>\$ 508</u>	<u>\$ 3,028</u>	<u>\$ 508</u>	<u>\$ 3,028</u>
Liabilities:				
Amounts Due to Other Governments	\$ 508	\$ 3,028	\$ 508	\$ 3,028
Total Liabilities	<u>\$ 508</u>	<u>\$ 3,028</u>	<u>\$ 508</u>	<u>\$ 3,028</u>
<b>Legal Settlement</b>				
Assets:				
Cash and Cash Equivalents	\$ 615	\$ 602	\$ 198	\$ 1,019
Total Assets	<u>\$ 615</u>	<u>\$ 602</u>	<u>\$ 198</u>	<u>\$ 1,019</u>
Liabilities:				
Other Liabilities	\$ 615	\$ 602	\$ 198	\$ 1,019
Total Liabilities	<u>\$ 615</u>	<u>\$ 602</u>	<u>\$ 198</u>	<u>\$ 1,019</u>

Continued on next page

**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Consumer Services</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 318	\$ 90	\$ 75	\$ 333
Investments - Short-term	158	8	10	156
Total Assets	<u>\$ 476</u>	<u>\$ 98</u>	<u>\$ 85</u>	<u>\$ 489</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 476	\$ 98	\$ 85	\$ 489
Total Liabilities	<u>\$ 476</u>	<u>\$ 98</u>	<u>\$ 85</u>	<u>\$ 489</u>
<b>Emergency Management Donation</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 80	\$ 362	\$ 22	\$ 420
Total Assets	<u>\$ 80</u>	<u>\$ 362</u>	<u>\$ 22</u>	<u>\$ 420</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 80	\$ 362	\$ 22	\$ 420
Total Liabilities	<u>\$ 80</u>	<u>\$ 362</u>	<u>\$ 22</u>	<u>\$ 420</u>
<b>Department of State Police</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 104	\$ 56	\$ 48
Investments - Short-term	-	53	28	25
Total Assets	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ 84</u>	<u>\$ 73</u>
<b>Liabilities:</b>				
Other Liabilities	\$ -	\$ 157	\$ 84	\$ 73
Total Liabilities	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ 84</u>	<u>\$ 73</u>
<b>Aviation</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 33	\$ -	\$ 33
Investments - Short-term	-	17	-	17
Total Assets	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>
<b>Liabilities:</b>				
Other Liabilities	\$ -	\$ 50	\$ -	\$ 50
Total Liabilities	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Virginia Department of Transportation</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 55	\$ -	\$ 16	\$ 39
Total Assets	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 39</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 55	\$ -	\$ 16	\$ 39
Total Liabilities	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 39</u>
<b>Virginia School for the Deaf and Blind</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 39	\$ 64	\$ 70	\$ 33
Total Assets	<u>\$ 39</u>	<u>\$ 64</u>	<u>\$ 70</u>	<u>\$ 33</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 39	\$ 64	\$ 70	\$ 33
Total Liabilities	<u>\$ 39</u>	<u>\$ 64</u>	<u>\$ 70</u>	<u>\$ 33</u>
<b>Woodrow Wilson Rehabilitation Center</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 7	\$ -	\$ 1	\$ 6
Total Assets	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 6</u>
<b>Liabilities:</b>				
Other Liabilities	\$ 7	\$ -	\$ 1	\$ 6
Total Liabilities	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 6</u>
<b>Dog and Cat Sterilization</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3	\$ 126	\$ 127	\$ 2
Total Assets	<u>\$ 3</u>	<u>\$ 126</u>	<u>\$ 127</u>	<u>\$ 2</u>
<b>Liabilities:</b>				
Amounts Due to Other Governments	\$ 3	\$ 126	\$ 127	\$ 2
Total Liabilities	<u>\$ 3</u>	<u>\$ 126</u>	<u>\$ 127</u>	<u>\$ 2</u>

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**Combining Statement of Changes in Assets and Liabilities –  
Agency Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	Balance July 1, as restated	Additions	Deletions	Balance June 30
<b>Milk Commission</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2	\$ 27	\$ 28	\$ 1
Accounts Receivable (Net)	-	27	27	-
Total Assets	<u>\$ 2</u>	<u>\$ 54</u>	<u>\$ 55</u>	<u>\$ 1</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2	\$ 27	\$ 28	\$ 1
Total Liabilities	<u>\$ 2</u>	<u>\$ 27</u>	<u>\$ 28</u>	<u>\$ 1</u>
<b>Totals - Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 127,943	\$ 1,668,234	\$ 1,609,500	\$ 186,677
Investments - Short-term	328,632	157,266	117,069	368,829
Investments - Other	2,580	713	1,186	2,107
Accounts Receivable (Net)	76,320	38,813	75,854	39,279
Due from Other Funds	152	172	152	172
Due from Fiduciary Funds	1,728	124	-	1,852
Total Assets	<u>\$ 537,355</u>	<u>\$ 1,865,322</u>	<u>\$ 1,803,761</u>	<u>\$ 598,916</u>
<b>Liabilities:</b>				
Accounts Payable and Accrued Expenses	\$ 2,703	\$ 158,456	\$ 157,982	\$ 3,177
Amounts Due to Other Governments	168,148	1,032,742	1,019,102	181,788
Due to Other Funds	558	5,343	558	5,343
Obligations Under Securities Lending Program	935	694	935	694
Other Liabilities	362,062	652,322	609,520	404,864
Insurance Premiums and Claims Payable	2,949	101	-	3,050
Total Liabilities	<u>\$ 537,355</u>	<u>\$ 1,849,658</u>	<u>\$ 1,788,097</u>	<u>\$ 598,916</u>



## Nonmajor Component Units

*Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete Component Unit serves or benefits those outside of the primary government.*

**The Virginia Economic Development Partnership** works to enhance and increase the Commonwealth's commerce and trade.

**The Virginia Outdoors Foundation** promotes preservation and fund raising for the purchase of preservation land.

**The Virginia Port Authority** is empowered to maintain and operate Virginia's harbors and ports.

**The Virginia Resources Authority** provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

**The Virginia Tourism Authority** promotes tourism and film production industries of the Commonwealth.

**The Virginia Tobacco Settlement Foundation** determines the appropriate recipients of moneys in the Virginia Tobacco Settlement Fund.

**The Tobacco Indemnification and Community Revitalization Commission** determines the appropriate recipients of moneys in the Tobacco Indemnification and Community Revitalization Fund.

**The Hampton Roads Sanitation District Commission** operates a sewage system for 13 localities in the Chesapeake Bay Area.

**The Virginia Biotechnology Research Park Authority** assists in the development of a biotechnology research park.

**The Virginia Small Business Financing Authority** assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

**The Virginia School for the Deaf and Blind Foundation** operates exclusively for the benefit of the Virginia Schools for the Deaf and Blind.

**The A. L. Philpott Manufacturing Extension Partnership** promotes industrial expansion by providing consulting services to manufacturers.

**The Virginia Equine Center Foundation** operates the Equine Center for the benefit of the equine industry.

**The Certified Nursing Facility Education Initiative** provides early on-site training and assistance to certified nursing facilities to help identify and correct deficiencies.

**The Higher Education Institutions** account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

**Other Higher Education** includes:

The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science  
Virginia Military Institute  
Virginia State University  
Norfolk State University  
Mary Washington College  
James Madison University  
Radford University  
Old Dominion University  
George Mason University  
Virginia Community College System  
Christopher Newport University  
Longwood University  
Southwest Virginia Higher Education Training Center  
Roanoke Higher Education Authority  
The Innovative Technology Authority  
The Virginia College Building Authority

## Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2002

(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,478	\$ 1,279	\$ 28,172	\$ 125,638
Investments	695	627	1,641	189,885
Receivables, Net	-	29	17,167	1,262,993
Due From Primary Government	-	-	2,076	-
Due from Component Units	-	-	-	-
Inventory	-	-	7,488	-
Prepaid Items	44	6	7,201	-
Other Assets	308	-	3,001	15
Restricted Cash and Cash Equivalents	-	-	16,080	-
Restricted Investments	-	-	46,655	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	5,226	166,108	-
Depreciable Capital Assets, Net	910	1,562	229,151	68
Total Assets	3,435	8,729	524,740	1,578,599
<b>Liabilities</b>				
Accounts Payable	238	46	10,364	146
Due to Component Units	-	-	-	-
Deferred Revenue and Deferred Credit	-	-	-	621
Obligations Under Securities Lending Program	-	-	1,804	-
Other Liabilities	108	-	5,060	10,253
Loans Payable to Primary Government	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	493	59	16,700	25,641
Due in More Than One Year	1,052	3	195,043	732,932
Total Liabilities	1,891	108	228,971	769,593
<b>Net Assets</b>				
Invested in Capital Assets, Net of				
Related Debt	897	6,788	228,250	68
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Capital Projects/Construction/				
Capital Acquisition	-	357	-	801,690
Debt Service	-	-	29,007	-
Bond Indenture	-	-	-	436
Unrestricted	647	1,476	38,512	6,812
Total Net Assets	\$ 1,544	\$ 8,621	\$ 295,769	\$ 809,006

<u>Virginia Tourism Authority</u>	<u>Virginia Tobacco Settlement Foundation</u>	<u>Tobacco Indemnification and Communication Revitalization Commission</u>	<u>Hampton Roads Sanitation District Commission</u>	<u>Virginia Biotechnology Research Park Authority</u>	<u>Virginia Small Business Financing Authority</u>
\$ 640	\$ 31,215	\$ 34,677	\$ 38,583	\$ 35,826	\$ 24,354
304	2,595	2,883	52,152	266	2,990
1	6	-	15,674	40,957	7,581
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
782	-	3	-	-	-
1	-	182	1,883	2,890	-
-	-	-	10,243	-	-
-	-	-	-	-	-
-	-	-	-	-	1,454
-	-	-	19,455	31,981	-
219	8	12	377,357	21,086	-
1,947	33,824	37,757	515,347	133,006	36,379
199	79	61	5,544	4,649	-
-	-	-	-	-	-
129	-	-	-	13,627	-
-	2,851	3,168	-	-	2,001
-	2,586	178	2,182	39	1,461
-	-	-	-	-	-
305	-	8	18,337	3,610	-
237	59	19	141,326	98,725	8
870	5,575	3,434	167,389	120,650	3,470
174	8	12	242,427	37,977	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,243	-	-
-	-	-	-	-	-
903	28,241	34,311	95,288	(25,621)	32,909
<u>\$ 1,077</u>	<u>\$ 28,249</u>	<u>\$ 34,323</u>	<u>\$ 347,958</u>	<u>\$ 12,356</u>	<u>\$ 32,909</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** *(Continued from previous page)*

June 30, 2002

(Dollars in Thousands)

	Virginia School for the Deaf and Blind Foundation	A. L. Philpott Manufacturing Extension Partnership	Virginia Equine Center Foundation	Cerfited Nursing Facility Education Initiative
<b>Assets</b>				
Cash and Cash Equivalents	\$ 81	\$ 442	\$ 229	\$ 496
Investments	2,455	-	2,730	-
Receivables, Net	-	449	277	5
Due From Primary Government	-	-	-	-
Due from Component Units	-	-	-	-
Inventory	-	-	65	-
Prepaid Items	-	-	643	4
Other Assets	-	-	9	-
Restricted Cash and Cash Equivalents	-	-	-	-
Restricted Investments	-	-	-	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	-	-	2,807	-
Depreciable Capital Assets, Net	-	70	13,212	9
Total Assets	2,536	961	19,972	514
<b>Liabilities</b>				
Accounts Payable	-	341	517	9
Due to Component Units	-	-	-	-
Deferred Revenue and Deferred Credit	-	-	73	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	495	-
Loans Payable to Primary Government	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	-	131	188	-
Due in More Than One Year	-	-	16,001	-
Total Liabilities	-	472	17,274	9
<b>Net Assets</b>				
Invested in Capital Assets, Net of				
Related Debt	-	70	2,298	-
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Expendable:				
Higher Education	-	-	-	-
Capital Projects/Construction/				
Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	-	-	-	-
Unrestricted	2,536	419	400	505
Total Net Assets	\$ 2,536	\$ 489	\$ 2,698	\$ 505

<u>College of William and Mary</u>	<u>Virginia Military Institute</u>	<u>Virginia State University</u>	<u>Norfolk State University</u>	<u>Mary Washington College</u>	<u>James Madison University</u>
\$ 6,585	\$ 5,748	\$ 10,952	\$ 7,387	\$ 4,303	\$ 42,888
2,297	2,093	8,354	174	5,911	5,708
6,248	1,913	2,902	7,316	304	6,704
87	-	-	-	-	-
748	23	200	1,372	672	2,156
417	2,824	293	5	618	756
154	538	1,391	1,103	-	2,645
29	11	56	17	36	24
30,678	1,477	1,253	1,101	4,936	66
38,961	14,630	176	-	18,136	195
-	-	2,564	-	740	-
117,957	2,947	13,793	6,597	19,920	19,852
163,678	47,507	56,960	51,820	53,010	252,142
367,839	79,711	98,894	76,892	108,586	333,136
20,566	4,036	4,663	1,753	6,466	20,703
-	-	-	-	-	-
6,473	768	2,605	4,464	2,353	4,289
671	397	715	191	198	2,859
8,586	367	2,171	4,358	778	5,255
1,240	-	-	-	-	-
8,381	1,008	2,322	2,070	2,277	8,755
51,527	3,550	13,464	26,453	18,999	82,854
97,444	10,126	25,940	39,289	31,071	124,715
233,580	48,433	60,164	36,030	54,789	192,169
27,753	4,516	1,260	1,102	13,712	618
8,629	11,524	8,722	1,746	8,028	15,268
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
433	5,112	2,808	(1,275)	986	366
<u>\$ 270,395</u>	<u>\$ 69,585</u>	<u>\$ 72,954</u>	<u>\$ 37,603</u>	<u>\$ 77,515</u>	<u>\$ 208,421</u>

Continued on next page

**Combining Statement of Net Assets – Nonmajor Component Units** *(Continued from previous page)*

June 30, 2002

(Dollars in Thousands)

	<b>Radford University</b>	<b>Old Dominion University</b>	<b>George Mason University</b>	<b>Virginia Community College System</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 11,611	\$ 30,459	\$ 28,662	\$ 56,673
Investments	2,421	23,485	1,956	11,388
Receivables, Net	5,038	4,406	1,012	10,256
Due From Primary Government	-	-	-	1,009
Due from Component Units	795	1,345	1,756	5,288
Inventory	528	511	138	1,702
Prepaid Items	-	106	1,951	4,672
Other Assets	-	-	995	141
Restricted Cash and Cash Equivalents	25,065	2,331	5,398	12,083
Restricted Investments	-	11,366	19,279	1,088
Other Restricted Assets	-	4,450	15,631	-
Nondepreciable Capital Assets	20,405	136,763	40,819	152,121
Depreciable Capital Assets, Net	52,993	75,854	270,440	271,230
Total Assets	<u>118,856</u>	<u>291,076</u>	<u>388,037</u>	<u>527,651</u>
<b>Liabilities</b>				
Accounts Payable	9,577	20,512	11,152	35,388
Due to Component Units	-	-	-	-
Deferred Revenue and Deferred Credit	3,357	7,886	14,072	11,225
Obligations Under Securities Lending Program	2,660	2,540	1,375	15
Other Liabilities	3,836	4,115	25,954	6,209
Loans Payable to Primary Government	-	-	5,000	1,002
Long-Term Liabilities:				
Due Within One Year	2,647	7,619	12,081	16,866
Due in More Than One Year	4,580	84,356	112,030	70,000
Total Liabilities	<u>26,657</u>	<u>127,028</u>	<u>181,664</u>	<u>140,705</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of				
Related Debt	74,441	137,912	189,444	385,963
Restricted For:				
Nonexpendable:				
Higher Education	-	9,740	-	452
Expendable:				
Higher Education	23,233	8,632	30,209	2,210
Capital Projects/Construction/				
Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Bond Indenture	-	-	-	-
Unrestricted	(5,475)	7,764	(13,280)	(1,679)
Total Net Assets	<u>\$ 92,199</u>	<u>\$ 164,048</u>	<u>\$ 206,373</u>	<u>\$ 386,946</u>

Christopher Newport University	Longwood University	Southwest Virginia Higher Education Training Center	Roanoke Higher Education Authority	Innovative Technology Authority	Virginia College Building Authority	Total Nonmajor Component Units
\$ 6,369	\$ 8,696	\$ 374	\$ 416	\$ 2,275	\$ 63	\$ 546,571
8,114	492	-	-	6,211	106,783	444,610
307	306	-	11,370	196	10,788	1,414,205
-	-	-	-	-	-	3,172
890	578	-	-	-	-	15,823
510	-	-	-	-	-	15,855
809	267	18	-	27	-	22,364
32	35	-	-	136	448	10,249
-	1,646	172	10	-	597	113,136
2,219	-	-	-	-	-	152,705
-	1,384	-	-	-	-	26,223
35,410	10,965	-	-	7,300	-	810,426
69,944	51,888	7,771	702	20,348	-	2,089,951
124,604	76,257	8,335	12,498	36,493	118,679	5,665,290
4,787	3,133	135	180	706	110	166,060
-	-	-	-	-	28,355	28,355
749	1,576	-	-	-	-	74,267
324	540	-	-	-	-	22,309
1,478	2,442	-	10	5,609	10,754	104,284
-	1,029	-	-	-	-	8,271
3,438	2,120	80	8	743	46,615	182,502
55,768	16,000	54	35	9,967	308,275	2,043,317
66,544	26,840	269	233	17,025	394,109	2,629,365
52,152	46,192	7,691	702	17,050	-	2,055,681
2,219	-	-	-	-	-	61,372
-	1,241	325	-	-	-	119,767
-	-	-	-	-	-	802,047
-	-	-	-	-	-	39,250
-	-	-	-	-	-	436
3,689	1,984	50	11,563	2,418	(275,430)	(42,628)
\$ 58,060	\$ 49,417	\$ 8,066	\$ 12,265	\$ 19,468	\$ (275,430)	\$ 3,035,925

## Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Virginia Economic Development Partnership	\$ 20,855	\$ 239	\$ 20	\$ -
Virginia Outdoors Foundation	1,181	80	181	-
Virginia Port Authority	174,907	150,043	-	-
Virginia Resources Authority	56,718	58,603	799	69,434
Virginia Tourism Authority	19,851	543	1,029	-
Virginia Tobacco Settlement Foundation	18,032	-	-	-
Tobacco Idemnification and Community Revitalization Commission	55,591	-	-	-
Hampton Roads Sanitation District Commission	104,269	105,495	-	2,114
Virginia Biotechnology Research Park Authority	7,317	6,697	-	40
Virginia Small Business Financing Authority	2,606	2,022	-	-
Virginia School for the Deaf and Blind Foundation	134	-	-	-
A. L. Philpott Manufacturing Extension Partnership	3,203	993	1,639	-
Virginia Equine Center Foundation	4,302	2,233	32	-
Certified Nursing Facility Education Initiative	156	12	600	-
Total Other Nonmajor	469,122	326,960	4,300	71,588
<b>Higher Education</b>				
College of William and Mary	236,705	108,646	32,834	246
Virginia Military Institute	43,863	16,763	10,097	-
Virginia State University	76,423	28,351	19,754	-
Norfolk State University	103,810	33,257	23,625	-
Mary Washington College	59,587	38,078	2,377	2,699
James Madison University	211,409	132,018	15,530	4,791
Radford University	98,901	50,995	9,460	1,213
Old Dominion University	208,411	90,236	18,188	-
George Mason University	319,967	113,013	95,732	-
Virginia Community College System	562,997	131,736	108,983	2,561
Christopher Newport University	57,900	26,731	5,156	1,043
Longwood University	60,134	31,899	6,537	309
Southwest Virginia Higher Education Authority	2,253	381	173	-
Roanoke Higher Education Authority	3,037	1,169	-	-
Innovative Technology Authority	14,848	1,533	287	-
Virginia College Building Authority	106,183	-	-	-
Total Higher Education	2,166,428	804,806	348,733	12,862
Total Nonmajor Component Units	\$ 2,635,550	\$ 1,131,766	\$ 353,033	\$ 84,450



General Revenues				
Net (Expenses) Revenue	Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous
\$ (20,596)	\$ 19,845	\$ -	\$ 129	\$ 21
(920)	400	-	51	-
(24,864)	31,987	-	2,603	-
72,118	-	-	444	34
(18,279)	18,218	-	158	-
(18,032)	-	-	1,383	-
(55,591)	-	-	584	-
3,340	-	-	4,493	-
(580)	-	-	-	-
(584)	-	-	-	-
(134)	-	2	(194)	-
(571)	582	-	-	-
(2,037)	-	-	174	122
456	-	-	7	-
(66,274)	71,032	2	9,832	177
(94,979)	72,946	5,469	1,851	11,658
(17,003)	13,484	1,652	(420)	249
(28,318)	31,357	-	-	-
(46,928)	47,966	-	44	(5,686)
(16,433)	18,807	-	(1,006)	-
(59,070)	71,482	-	1,736	(2,698)
(37,233)	41,638	-	1,425	752
(99,987)	89,906	-	515	-
(111,222)	120,672	-	930	(1,508)
(319,717)	308,943	1,868	1,575	5,732
(24,970)	24,407	257	945	179
(21,389)	21,155	-	5	4,981
(1,699)	1,941	-	-	113
(1,868)	629	-	922	50
(13,028)	12,828	-	485	15
(106,183)	45,898	-	78	-
(1,000,027)	924,059	9,246	9,085	13,837
\$ (1,066,301)	\$ 995,091	\$ 9,248	\$ 18,917	\$ 14,014

Continued on next page

**Combining Statement of Activities – Nonmajor Component Units** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2002  
(Dollars in Thousands)

	General Revenues (continued)			
	Contributions to Permanent Funds	Capital Appropriations	Capital Gifts and Grants	VCBA Payments to Schools
Virginia Economic Development Partnership	\$ -	\$ -	\$ -	\$ -
Virginia Outdoors Foundation	-	115	-	-
Virginia Port Authority	-	-	-	-
Virginia Resources Authority	-	-	-	-
Virginia Tourism Authority	-	-	-	-
Virginia Tobacco Settlement Foundation	-	-	-	-
Tobacco Idemnification and Community Revitalization Commission	-	-	-	-
Hampton Roads Sanitation District Commission	-	-	-	-
Virginia Biotechnology Research Park Authority	-	-	-	-
Virginia Small Business Financing Authority	-	-	-	-
Virginia School for the Deaf and Blind Foundation	-	-	-	-
A. L. Philpott Manufacturing Extension Partnership	-	-	-	-
Virginia Equine Center Foundation	-	-	-	-
Certified Nursing Facility Education Initiative	-	-	-	-
Total Other Nonmajor	-	115	-	-
<b>Higher Education</b>				
College of William and Mary	(2,484)	12,257	2,116	-
Virginia Military Institute	-	1,641	-	-
Virginia State University	32	2,983	596	1,292
Norfolk State University	-	1,357	-	1,457
Mary Washington College	-	4,606	102	471
James Madison University	-	2,288	2,234	689
Radford University	-	1,005	-	1,076
Old Dominion University	-	10,271	2,220	327
George Mason University	-	4,379	1,725	7,469
Virginia Community College System	-	22,006	4,951	4,849
Christopher Newport University	67	4,416	150	-
Longwood University	-	1,099	421	-
Southwest Virginia Higher Education Authority	-	4	-	-
Roanoke Higher Education Authority	-	-	-	-
Innovative Technology Authority	-	-	-	-
Virginia College Building Authority	-	-	-	-
Total Higher Education	(2,385)	68,312	14,515	17,630
Total Nonmajor Component Units	<u>\$ (2,385)</u>	<u>\$ 68,427</u>	<u>\$ 14,515</u>	<u>\$ 17,630</u>

**General Revenues (continued)**

<b>Tobacco Master Settlement</b>	<b>Other Financing Sources (Uses)</b>	<b>Special Items</b>	<b>Changes in Net Assets</b>	<b>Net Assets July 1 as restated</b>	<b>Net Assets June 30</b>
\$ -	\$ -	\$ -	\$ (601)	\$ 2,145	\$ 1,544
-	-	-	(354)	8,975	8,621
-	-	-	9,726	286,043	295,769
-	-	-	72,596	736,410	809,006
-	-	-	97	980	1,077
14,961	-	-	(1,688)	29,937	28,249
74,807	-	-	19,800	14,523	34,323
-	-	-	7,833	340,125	347,958
-	-	-	(580)	12,936	12,356
-	(2,718)	-	(3,302)	36,211	32,909
-	-	-	(326)	2,862	2,536
-	-	-	11	478	489
-	-	-	(1,741)	4,439	2,698
-	-	-	463	42	505
89,768	(2,718)	-	101,934	1,476,106	1,578,040
-	484	(5,890)	3,428	266,967	270,395
-	(711)	-	(1,108)	70,693	69,585
-	408	-	8,350	64,604	72,954
-	(574)	-	(2,364)	39,967	37,603
-	163	-	6,710	70,805	77,515
-	640	(3,091)	14,210	194,211	208,421
-	353	-	9,016	83,183	92,199
-	-	-	3,252	160,796	164,048
-	(225)	-	22,220	184,153	206,373
-	(527)	-	29,680	357,266	386,946
-	346	-	5,797	52,263	58,060
-	-	-	6,272	43,145	49,417
-	(540)	-	(181)	8,247	8,066
-	2	-	(265)	12,530	12,265
-	-	-	300	19,168	19,468
-	-	-	(60,207)	(215,223)	(275,430)
-	(181)	(8,981)	45,110	1,412,775	1,457,885
\$ 89,768	\$ (2,899)	\$ (8,981)	\$ 147,044	\$ 2,888,881	\$ 3,035,925



## Debt Schedules

## Summary Schedule - Total Debt and Other Long-Term Obligations of the Commonwealth

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2002	2001	2000	1999	1998
<b>Tax-Supported Debt:</b>					
<b>Primary Government:</b>					
General Obligation Bonds (4):					
Section 9(a) Bonds	\$ -	\$ -	\$ -	\$ -	\$ 67,215
Section 9(b) Bonds	451,700	486,310	520,705	534,765	441,265
Section 9(c) Bonds (1)	127,597	136,644	145,154	153,201	160,887
Bond Anticipation Notes Payable	-	-	-	20,000	60,000
Subtotal - General Obligation Bonds	579,297	622,954	665,859	707,966	729,367
Non-General Obligation Debt:					
Section 9(d) Bonds (1)	2,002,041	1,911,636	1,993,609	1,702,846	1,699,356
Other Long-Term Debt and Obligations (2)	965,426	879,065	787,796	736,981	667,201
Total Primary Government	3,546,764	3,413,655	3,447,264	3,147,793	3,095,924
<b>Component Units:</b>					
General Obligation Bonds (4):					
Section 9(c) Bonds (1)	376,462	345,154	380,332	387,963	406,560
Bond Anticipation Notes Payable	-	-	-	13,000	4,000
Subtotal - General Obligation Bonds	376,462	345,154	380,332	400,963	410,560
Non-General Obligation Bonds:					
Section 9(d) Bonds (1)	555,950	423,245	415,966	397,305	369,335
Other Long-Term Debt (2)	388,468	329,441	312,051	275,896	247,862
Total Component Units	1,320,880	1,097,840	1,108,349	1,074,164	1,027,757
<b>Total Tax-Supported Debt</b>	<b>4,867,644</b>	<b>4,511,495</b>	<b>4,555,613</b>	<b>4,221,957</b>	<b>4,123,681</b>
<b>Debt Not Supported by Taxes:</b>					
<b>Primary Government:</b>					
Total Primary Government	2,057,817	780,460	393,238	381,706	-
<b>Component Units:</b>					
Section 9(d) Moral Obligation Bonds	2,245,191	2,260,226	2,380,299	2,345,038	2,238,614
Section 9(d) Other Debt	421,125	360,535	376,113	390,738	325,725
Other Long-Term Debt (3)	7,765,548	6,832,780	5,998,672	6,157,445	5,473,070
Total Component Units	10,431,864	9,453,541	8,755,084	8,893,221	8,037,409
<b>Total Debt Not Supported by Taxes</b>	<b>12,489,681</b>	<b>10,234,001</b>	<b>9,148,322</b>	<b>9,274,927</b>	<b>8,037,409</b>
<b>Total Debt of the Commonwealth</b>	<b>\$ 17,357,325</b>	<b>\$ 14,745,496</b>	<b>\$ 13,703,935</b>	<b>\$ 13,496,884</b>	<b>\$ 12,161,090</b>

(1) Net of unamortized discounts, premiums and/or issuance expenses.

(2) Includes capital lease obligations, notes payable, installment purchase obligations, bond anticipation notes, pension liability, and the long-term portion of the liability for compensated absences.

(3) Includes notes payable.

(4) Total General Obligation Debt for the fiscal year ended:

	2002	2001	2000	1999	1998
Section 9(a) Debt:					
Transportation Facilities Bonds	\$ -	\$ -	\$ -	\$ -	\$ 67,215
Section 9(b) Debt:					
Transportation Facilities Bonds	52,695	56,585	60,300	63,835	-
Public Facilities Bonds	399,005	429,725	460,405	470,930	441,265
Subtotal 9(b) Debt	451,700	486,310	520,705	534,765	441,265
Section 9(c) Debt:					
Higher Educational Institution Bonds	376,462	345,154	380,332	387,963	406,560
Transportation Facilities Bonds	117,992	126,319	134,144	141,541	148,607
Parking Facilities Bonds	9,605	10,325	11,010	11,660	12,280
Subtotal 9(c) Debt	504,059	481,798	525,486	541,164	567,447
Bond Anticipation Notes Payable	-	-	-	33,000	64,000
Total General Obligation Debt	\$ 955,759	\$ 968,108	\$ 1,046,191	\$ 1,108,929	\$ 1,139,927

## Tax-Supported Debt and Other Long-Term Obligations

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2002	2001	2000	1999	1998
<b>Primary Government:</b> (1)					
<b>General Obligation Debt (4):</b>					
Section 9(a) Debt					
Transportation Facilities	\$ -	\$ -	\$ -	\$ -	\$ 67,215
Section 9(b) Debt					
Transportation Facilities	52,695	56,585	60,300	63,835	-
Public Facilities	399,005	429,725	460,405	470,930	441,265
Subtotal Section 9(b) Debt	451,700	486,310	520,705	534,765	441,265
Section 9(c) Debt					
Parking Facilities	9,605	10,325	11,010	11,660	12,280
Transportation Facilities (2)	117,992	126,319	134,144	141,541	148,607
Subtotal Section 9(c) Debt	127,597	136,644	145,154	153,201	160,887
Bond Anticipation Notes Payable	-	-	-	20,000	60,000
Subtotal General Obligation Debt	579,297	622,954	665,859	707,966	729,367
<b>Non-General Obligation Debt:</b>					
Section 9(d) Debt:					
Transportation Debt (2)	1,043,900	916,835	943,625	736,960	756,700
Virginia Public Building Authority (2)	958,141	994,801	1,049,984	965,886	942,656
Subtotal Section 9(d) Debt	2,002,041	1,911,636	1,993,609	1,702,846	1,699,356
<b>Other Long-Term Debt:</b>					
Transportation Notes Payable	12,325	12,325	12,325	12,325	12,325
Regional Jail Construction	28,974	31,017	59,671	62,635	65,510
Capital Lease Obligations	202,265	211,192	213,314	221,999	225,941
Installment Purchase Obligations (3)	32,182	41,796	26,672	27,457	9,514
Virginia Public Broadcasting Board Notes Payable	21,960	23,840	-	-	-
Industrial Development Authority Obligations	37,800	42,490	-	-	-
Subtotal Other Long-Term Debt	335,506	362,660	311,982	324,416	313,289
<b>Other Long-Term Obligations:</b>					
Compensated Absences	306,972	309,699	297,716	271,576	266,117
Pension Liability	302,664	186,602	172,780	138,107	87,794
Other Liabilities	20,284	20,104	5,318	2,882	-
Subtotal Other Long-Term Obligations	629,920	516,405	475,814	412,565	353,911
<b>Total Primary Government</b>	<b>3,546,764</b>	<b>3,413,655</b>	<b>3,447,264</b>	<b>3,147,793</b>	<b>3,095,924</b>
<b>Component Units:</b>					
<b>General Obligation Bonds (4):</b>					
Section 9(c) Debt					
Higher Educational Institutions (2)	376,462	345,154	380,332	387,963	406,560
Bond Anticipation Notes Payable	-	-	-	13,000	4,000
Subtotal General Obligation Debt	376,462	345,154	380,332	400,963	410,560
<b>Non-General Obligation Debt:</b>					
Section 9(d) Debt:					
Higher Educational Institutions (5)	9,165	-	-	-	-
Virginia Port Authority	94,060	94,060	102,655	106,805	108,085
Innovative Technology Authority	10,590	11,120	11,656	12,195	12,630
Virginia College Building Authority	354,890	289,830	272,460	248,190	217,620
Virginia Biotechnology Research Park Authority	87,245	28,235	29,195	30,115	31,000
Subtotal Section 9(d) Debt	555,950	423,245	415,966	397,305	369,335
<b>Other Long-Term Debt:</b>					
Long-Term Capital Lease Obligations	45,810	31,628	29,113	24,216	26,016
Installment Purchase Obligations (3)	23,347	25,703	28,009	26,714	25,687
Subtotal Other Long-Term Debt	69,157	57,331	57,122	50,930	51,703
<b>Other Long-Term Obligations:</b>					
Compensated Absences	182,603	174,631	164,671	152,177	148,488
Pension Liability	136,708	97,479	90,258	72,789	47,671
Subtotal Other Long-Term Obligations	319,311	272,110	254,929	224,966	196,159
<b>Total Component Units</b>	<b>1,320,880</b>	<b>1,097,840</b>	<b>1,108,349</b>	<b>1,074,164</b>	<b>1,027,757</b>
<b>Total Tax-Supported Debt</b>	<b>\$ 4,867,644</b>	<b>\$ 4,511,495</b>	<b>\$ 4,555,613</b>	<b>\$ 4,221,957</b>	<b>\$ 4,123,681</b>

(1) The General Obligation Debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.

(2) Net of unamortized discounts.

(3) Reflected as Notes Payable in Footnote 17, Long-Term Liabilities.

(4) See Note 4 on previous page.

(5) Related to Virginia College Building Authority's Equipment Leasing Program

## Debt and Other Long-Term Obligations Not Supported by Taxes

Last Five Fiscal Years  
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2002	2001	2000	1999	1998
<b>Primary Government:</b>					
Other Long-Term Debt & Obligations:					
Federal Reserve Anticipation Notes Payable	\$ 375,000	\$ 375,000	\$ -	\$ -	\$ -
Pocahontas Parkway Association Bonds	418,850	405,460	393,238	381,706	-
Pension Liability	6,389	3,926	4,186	3,347	1,813
Compensated Absences	8,084	7,764	8,253	7,628	6,777
Installment Purchases	17,861	11,398	-	1	-
Tuition Benefits Payable	781,827	530,970	423,067	214,888	153,048
Lottery Prizes Payable	449,694	461,643	546,411	619,563	631,822
Other	112	-	-	-	-
<b>Total Primary Government</b>	<b>2,057,817</b>	<b>1,796,161</b>	<b>1,375,155</b>	<b>1,227,133</b>	<b>793,460</b>
<b>Component Units:</b>					
<b>Section 9(d) Moral Obligation Debt: (1)</b>					
Virginia Housing Development Authority	1,278,338	1,357,976	1,438,838	1,503,910	1,333,427
Virginia Public School Authority (1991 Resolution)	432,117	459,772	487,282	514,487	542,373
Virginia Resources Authority	534,736	442,478	454,179	326,641	362,814
<b>Subtotal Section 9(d) Moral Obligation Debt</b>	<b>2,245,191</b>	<b>2,260,226</b>	<b>2,380,299</b>	<b>2,345,038</b>	<b>2,238,614</b>
<b>Section 9(d) Other Debt:</b>					
Higher Educational Institutions:					
Auxiliary Enterprise Revenue Bonds	261,135	273,090	284,608	295,458	229,675
Teaching Hospitals Revenue Bonds (5)	159,990	87,445	91,505	95,280	96,050
<b>Subtotal Section 9(d) Other Debt</b>	<b>421,125</b>	<b>360,535</b>	<b>376,113</b>	<b>390,738</b>	<b>325,725</b>
<b>Other Long-Term Debt:</b>					
Virginia Housing Development Authority (1) (2)	4,778,204	4,352,311	4,002,449	4,364,424	3,953,095
Hampton Roads Sanitation District	152,978	161,800	166,860	179,752	191,012
Virginia Equine Center	16,145	5,645	6,305	6,930	7,530
Virginia Biotechnology Research Park Authority	14,965	15,745	16,240	16,750	-
Virginia Public School Authority (2) (3)	1,658,368	1,614,518	1,419,766	1,269,793	1,113,206
Virginia Port Authority	93,325	93,325	94,975	96,555	98,065
Virginia Commonwealth University Health System Authority	-	82,260	87,480	93,040	33,705
Virginia Resources Authority	223,837	219,865	-	-	-
Notes Payable	494,689	260,221	176,016	112,187	76,457
Bond Anticipation Notes	895	-	-	-	-
Other Long-Term Debt	332,142	27,090	28,581	18,014	-
<b>Subtotal Other Long-Term Debt</b>	<b>7,765,548</b>	<b>6,832,780</b>	<b>5,998,672</b>	<b>6,157,445</b>	<b>5,473,070</b>
<b>Subtotal Section 9(d) and Other Debt</b>	<b>8,186,673</b>	<b>7,193,315</b>	<b>6,374,785</b>	<b>6,548,183</b>	<b>5,798,795</b>
<b>Total Component Units</b>	<b>10,431,864</b>	<b>9,453,541</b>	<b>8,755,084</b>	<b>8,893,221</b>	<b>8,037,409</b>
<b>Total Debt Not Supported by Taxes (4)</b>	<b>\$ 12,489,681</b>	<b>\$ 11,249,702</b>	<b>\$ 10,130,239</b>	<b>\$ 10,120,354</b>	<b>\$ 8,830,869</b>

(1) Net of unamortized discounts, premiums, and/or issuance expenses.

(2) Includes notes payable and/or installment purchases.

(3) As restated per GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*.

(4) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.

(5) Beginning in 2002, this includes the Virginia Commonwealth University Health System



# Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

	As of June 30, 2001	New Debt Authorized	Debt Issued	Other Adjust- ments	As of June 30, 2002
<b>Section 9(c) Debt (Primary Government):</b>					
Higher Educational Institution Bonds	131,763	93,260	65,635	(9,883)	149,505
Parking Facilities Bonds	-	-	-	-	-
Transportation Facilities Bonds	-	-	-	-	-
Subtotal Section 9(c) Debt	<u>131,763</u>	<u>93,260</u>	<u>65,635</u>	<u>(9,883)</u>	<u>149,505</u>
<b>Section 9(d) Debt:</b>					
<b>Primary Government:</b>					
Transportation Contract Revenue Bonds (Route 28)	54,092	-	-	(17,695)	36,397
Transportation Contract Revenue Bonds (Route 58)	102,428	-	102,165	(263)	-
Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program)	176,880	29,000	58,650	(902)	146,328
<b>Component Units:</b>					
Virginia Biotechnology Research Park Authority	60,010	-	60,010	-	-
Virginia Public Building Authority (Projects)	49,831	251,871	5,700	-	296,002
Virginia Public Building Authority (Juvenile Detention Facilities)	-	28,255	-	-	28,255
Virginia Public Building Authority (Jails)	30,146	42,018	30,130	-	42,034
Virginia College Building Authority (21st Century)	-	380,591	82,720	-	297,871
Virginia College Building Authority (Equipment Lease Program)	49,847	70,000	48,075	(1,772)	70,000
Capital Lease Revenue Financings	-	-	-	-	-
Subtotal Section 9(d) Debt	<u>523,234</u>	<u>801,735</u>	<u>387,450</u>	<u>(20,632)</u>	<u>916,887</u>
<b>Total Authorized and Unissued Tax-Supported Debt</b>	<u>654,997</u>	<u>894,995</u>	<u>453,085</u>	<u>(30,515)</u>	<u>1,066,392</u>
VA Port Authority	-	135,000	-	-	135,000
Virginia Aviation Board (Airport Improvement Note)	-	6,600	-	-	6,600
<b>Totals</b>	<u>\$ 654,997</u>	<u>\$ 1,036,595</u>	<u>\$ 453,085</u>	<u>\$ (30,515)</u>	<u>\$ 1,207,992</u>

**Tax-Supported Debt - Annual Debt Service Requirements (1)**

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 79,891	\$ 46,461	\$ 126,352	\$ 174,460	\$ 129,788	\$ 304,248
2004	80,216	42,839	123,055	173,470	122,541	296,011
2005	76,435	39,153	115,588	159,355	114,263	273,618
2006	75,420	35,549	110,969	142,795	106,714	249,509
2007	75,335	31,977	107,312	149,420	100,096	249,516
2008	76,865	28,293	105,158	145,480	93,254	238,734
2009	72,769	24,422	97,191	156,490	86,451	242,941
2010	68,915	21,126	90,041	147,730	79,265	226,995
2011	66,222	17,704	83,926	146,980	72,320	219,300
2012	61,420	14,431	75,851	146,350	65,088	211,438
2013	54,555	11,519	66,074	139,905	57,869	197,774
2014	44,250	8,786	53,036	129,990	50,802	180,792
2015	40,115	6,665	46,780	131,060	43,931	174,991
2016	31,150	4,613	35,763	135,220	36,958	172,178
2017	18,030	3,033	21,063	135,550	29,871	165,421
2018	11,110	2,132	13,242	120,895	23,049	143,944
2019	9,655	1,568	11,223	94,075	16,974	111,049
2020	8,050	1,075	9,125	67,595	12,133	79,728
2021	8,460	667	9,127	59,935	8,588	68,523
2022	2,005	245	2,250	39,395	5,413	44,808
2023	1,520	148	1,668	24,870	3,770	28,640
2024	1,590	70	1,660	26,190	2,449	28,639
2025	-	-	-	10,310	1,058	11,368
2026	-	-	-	10,830	539	11,369
Subtotal	<u>963,978</u>	<u>342,476</u>	<u>1,306,454</u>	<u>2,668,350</u>	<u>1,263,184</u>	<u>3,931,534</u>
Less						
Unamortized						
Discount	(8,219)	-	(8,219)	(25,796)	-	(25,796)
Less						
Deferral on						
Debt Defeasance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,478)</u>	<u>-</u>	<u>(12,478)</u>
TOTAL	<u>\$ 955,759</u>	<u>\$ 342,476</u>	<u>\$ 1,298,235</u>	<u>\$ 2,630,076</u>	<u>\$ 1,263,184</u>	<u>\$ 3,893,260</u>

(1) Includes Virginia Biotechnology Research Park Authority, Innovative Technology Authority, Virginia Public Broadcasting Board and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jails, compensated absences, pension liability, and uninsured employers fund.

(2) Includes principal amount of \$2,014,366 which includes Transportation Notes Payable of \$12,325 for the primary government.

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Total		
Principal	Interest	Total
\$ 254,351	\$ 176,249	\$ 430,600
253,686	165,380	419,066
235,790	153,416	389,206
218,215	142,263	360,478
224,755	132,073	356,828
222,345	121,547	343,892
229,259	110,873	340,132
216,645	100,391	317,036
213,202	90,024	303,226
207,770	79,519	287,289
194,460	69,388	263,848
174,240	59,588	233,828
171,175	50,596	221,771
166,370	41,571	207,941
153,580	32,904	186,484
132,005	25,181	157,186
103,730	18,542	122,272
75,645	13,208	88,853
68,395	9,255	77,650
41,400	5,658	47,058
26,390	3,918	30,308
27,780	2,519	30,299
10,310	1,058	11,368
10,830	539	11,369
<u>3,632,328</u>	<u>1,605,660</u>	<u>5,237,988</u>
(34,015)	-	(34,015)
<u>(12,478)</u>	<u>-</u>	<u>(12,478)</u>
<u>\$ 3,585,835</u>	<u>\$ 1,605,660</u>	<u>\$ 5,191,495</u>

## Tax-Supported Debt - Detail of Long-Term Indebtedness

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(b) Debt (Primary Government):</b>					
<b>Transportation Facilities Bonds</b>					
Series 1993 Refunding	\$ 74,255	\$ 56,585	\$ (3,890)	\$ 52,695	4/29/00 07/01/02-11
<b>Total Transportation Facilities Bonds</b>	<u>74,255</u>	<u>56,585</u>	<u>(3,890)</u>	<u>52,695</u>	
<b>Public Facilities Bonds</b>					
Series 1993	200,000	95,000	(10,000)	85,000	12/01/02-13
Series 1994	163,900	40,975	(8,195)	32,780	06/01/03-06
Series 1996 Refunding	64,390	62,315	(405)	61,910	06/01/03-15
Series 1996	49,775	37,350	(2,490)	34,860	06/01/03-16
Series 1997	97,045	76,625	(5,105)	71,520	06/01/03-16
Series 1998 Refunding	50,990	49,560	(355)	49,205	06/01/03-13
Series 1998	59,235	49,885	(3,115)	46,770	06/01/03-17
Series 1999	20,125	18,015	(1,055)	16,960	06/01/03-18
<b>Total Public Facilities Bonds</b>	<u>705,460</u>	<u>429,725</u>	<u>(30,720)</u>	<u>399,005</u>	
<b>Total Section 9(b) Debt</b>	<u>779,715</u>	<u>486,310</u>	<u>(34,610)</u>	<u>451,700</u>	
<b>Section 9(c) Debt</b>					
<b>Higher Educational Institution Bonds (Component Units)</b>					
<b>Series 1979 Bonds</b>					
James Madison University Dormitory Complex	3,695	1,350	(150)	1,200	06/01/03-09
<b>Subtotal Series 1979 Bonds</b>	<u>3,695</u>	<u>1,350</u>	<u>(150)</u>	<u>1,200</u>	
<b>Series 1981 Bonds</b>					
Virginia Commonwealth University Low-Rise Dormitory	4,932	2,152	(185)	1,967	06/01/03-11
<b>Subtotal Series 1981 Bonds</b>	<u>4,932</u>	<u>2,152</u>	<u>(185)</u>	<u>1,967</u>	
<b>Series 1983 Bonds</b>					
Old Dominion University Mid-Rise Dormitory	3,500	1,780	(125)	1,655	06/01/03-13
Powhatan Field Apartments, Phase II	3,636	1,855	(130)	1,725	06/01/03-13
Virginia Commonwealth University Low-Rise Dormitory	4,050	2,060	(145)	1,915	06/01/03-13
<b>Subtotal Series 1983 Bonds</b>	<u>11,186</u>	<u>5,695</u>	<u>(400)</u>	<u>5,295</u>	
<b>Series 1984 Bonds</b>					
Virginia Commonwealth University Dormitory Renovation	2,890	545	(175)	370	06/01/03-04
<b>Subtotal Series 1984 Bonds</b>	<u>2,890</u>	<u>545</u>	<u>(175)</u>	<u>370</u>	
<b>Series 1989 Bonds</b>					
George Mason University Humanities III	9,400	5,259	(519)	4,740	06/01/03-09
Residence Hall III	10,697	5,986	(590)	5,396	06/01/03-09
Longwood College Air Conditioning Repairs	125	35	(11)	24	06/01/03-04
Parapet Wall Repairs	370	106	(33)	73	06/01/03-04
Parking Facility	1,100	315	(98)	217	06/01/03-04
Telecommunications	1,500	428	(133)	295	06/01/03-04
University of Virginia Student Health Center	1,300	727	(71)	656	06/01/03-09
Virginia Polytechnic Institute and State University Telecommunications	16,000	4,571	(1,427)	3,144	06/01/03-04
<b>Subtotal Series 1989 Bonds</b>	<u>40,492</u>	<u>17,427</u>	<u>(2,882)</u>	<u>14,545</u>	

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1990 Bonds</b>					
University of Virginia					
Judge Advocate General School	6,265	4,110	(315)	3,795	06/01/03-10
<b>Subtotal Series 1990 Bonds</b>	<b>6,265</b>	<b>4,110</b>	<b>(315)</b>	<b>3,795</b>	
<b>Series 1991 Bonds</b>					
College of William and Mary					
Graduate Dormitory	7,075	350	(350)	-	
George Mason University					
Parking Lots	550	-		-	
Norfolk State University					
Cafeteria	4,055	200	(200)	-	
Residence Hall	9,320	460	(460)	-	
Old Dominion University					
Webb Center	6,855	330	(330)	-	
University of Virginia					
Student Housing	13,760	680	(680)	-	
Virginia Commonwealth University					
Student Commons	3,040	-		-	
Virginia Polytechnic Institute and State University					
Dormitory and Dining	5,015	240	(240)	-	
Parking	4,220	205	(205)	-	
Student Center	3,260	155	(155)	-	
<b>Subtotal Series 1991 Bonds</b>	<b>57,150</b>	<b>2,620</b>	<b>(2,620)</b>	<b>-</b>	
<b>Series 1992 Bonds</b>					
Christopher Newport University					
Dormitory Project	7,970	555	(175)	380	06/01/03-04
College of William and Mary					
Dormitory Renovations	1,365	335	(60)	275	06/01/03-06
University Center	10,455	1,435	(450)	985	06/01/03-04
George Mason University					
Parking Structure	5,045	1,230	(600)	630	06/01/03
Student Union II Addition	2,535	235	(115)	120	06/01/03
James Madison University					
Student Activities	7,275	1,000	(315)	685	06/01/03-04
Longwood College					
Student Housing	4,755	445	(215)	230	06/01/03
Mary Washington College					
Residence Hall	3,305	455	(145)	310	06/01/03-04
University of Virginia					
Central Grounds Parking	11,595	2,900	(520)	2,380	06/01/03-06
Clinch Valley Dormitory	705	100	(30)	70	06/01/03-04
Dining Facility	4,795	2,495	(325)	2,170	06/01/03-12
HSC Parking	1,635	395	(70)	325	06/01/03-06
West Scott Stadium Parking	1,195	290	(50)	240	06/01/03-06
VCCS/Northern Virginia Community College					
NVCC Parking Deck	3,010	285	(140)	145	06/01/03
Virginia Commonwealth University					
Dormitory Renovations	3,180	770	(140)	630	06/01/03-06
Housing Repairs	1,320	195	(60)	135	06/01/03-04
MCV Parking Deck	8,205	1,125	(355)	770	06/01/03-04
Virginia Polytechnic Institute and State University					
Dormitory Repairs	2,790	675	(120)	555	06/01/03-06
Residence Hall	4,990	685	(215)	470	06/01/03-04
VPI Dormitory	2,680	650	(115)	535	06/01/03-06
<b>Subtotal Series 1992 Bonds</b>	<b>88,805</b>	<b>16,255</b>	<b>(4,215)</b>	<b>12,040</b>	

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**Tax-Supported Debt - Detail of Long-Term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1992 Refunding Bonds</b>					
George Mason University					
Field House	3,401	447	(447)	-	
Parking Lot IX	644	291	(67)	224	06/01/03-05
Physical Education Project	9,757	4,355	(1,028)	3,327	06/01/03-05
Residence Hall II	1,538	694	(157)	537	06/01/03-05
Residence Halls	5,498	720	(720)	-	
University Union	4,679	617	(617)	-	
James Madison University					
Convocation Center	5,074	1,124	(599)	525	06/01/03
Warren Campus Center	2,582	1,165	(265)	900	06/01/03-05
Longwood College					
French Dormitory	479	61	(61)	-	
Old Dominion University					
Gresham Dormitory Renovation	880	194	(102)	92	06/01/03
Mid-Rise Dormitory	4,352	960	(506)	454	06/01/03
Powhatan Field Apartments	384	52	(52)	-	
Radford University					
Recreation and Convocation Center	2,427	320	(320)	-	
University of Virginia					
Clinch Valley Student Union	410	56	(56)	-	
Newcomb Hall Addition	2,030	449	(238)	211	06/01/03
Observatory Dining Hall	672	302	(68)	234	06/01/03-05
Sponsor's Hall Addition	1,399	634	(147)	487	06/01/03-05
Student Activity Center	428	196	(47)	149	06/01/03-05
Student Housing	3,626	801	(423)	378	06/01/03
Virginia Commonwealth University					
Academic Campus Parking	3,188	419	(419)	-	
MCV Gymnasium	591	80	(80)	-	
VCU Parking Deck E	1,926	869	(197)	672	06/01/03-05
Virginia Military Institute					
Auditorium and Athletic Facility	3,119	409	(409)	-	
<b>Subtotal Series 1992 Refunding Bonds</b>	<b>59,084</b>	<b>15,215</b>	<b>(7,025)</b>	<b>8,190</b>	
<b>Series 1993 Bonds</b>					
College of William and Mary					
Graduate Dormitory	205	50	(25)	25	06/01/03
Graduate Dormitory Renovation	610	430	(25)	405	06/01/03-13
Graduate University Center	205	145	(10)	135	06/01/03-13
George Mason University					
University Center	21,460	16,970	(865)	16,105	06/01/03-15
James Madison University					
Primary Electrical Upgrade	405	95	(45)	50	06/01/03
Residence Facility	5,260	3,700	(235)	3,465	06/01/03-13
Mary Washington College					
Telecommunications	4,340	3,150	(200)	2,950	06/01/03-13
<b>Subtotal Series 1993 Bonds</b>	<b>32,485</b>	<b>24,540</b>	<b>(1,405)</b>	<b>23,135</b>	

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1993 Refunding Bonds</b>					
Christopher Newport University					
Campus Center	1,117	373	(186)	187	06/01/03
Christopher Newport Track	80	35	-	35	06/01/03-04
Campus Center	463	227	(1)	226	06/01/03-04
Dormitory Project	3,570	3,515	(10)	3,505	06/01/03-22
Christopher Newport Track 89R Refunded Portion	185	62	(29)	33	06/01/03
College of William and Mary					
Cary Field	380	-	-	-	
Graduate Housing	4,424	4,199	(36)	4,163	06/01/03-11
Randolph Residences 89R Refunded Portion	1,133	-	-	-	
Randolph Residences 89B Refunded Portion	1,412	1,209	(142)	1,067	06/01/03-09
Telecommunications 89B Refunded Portion	1,148	809	(251)	558	06/01/03-04
Telecommunications 90B Refunded Portion	162	149	(35)	114	06/01/03-05
Tyler Hall Renovation	819	582	(72)	510	06/01/03-08
George Mason University					
Parking Lot #10	367	197	(37)	160	06/01/03-06
Parking Lot	427	143	(73)	70	06/01/03
Parking Lot VIII	176	86	(1)	85	06/01/03-04
Residence Halls IV	7,449	7,039	(649)	6,390	06/01/03-10
Residence Halls II	4,249	2,302	(420)	1,882	06/01/03-06
Security Information Building	211	116	(21)	95	06/01/03-06
James Madison University					
Dormitory 89R Refunded Portion	2,297	765	(372)	393	06/01/03
Gibbons Hall Renovation	1,802	1,703	(156)	1,547	06/01/03-10
Stadium Seating	484	232	(1)	231	06/01/03-04
Student Residence Hall	2,789	1,972	(245)	1,727	06/01/03-08
Dormitory	516	251	-	251	06/01/03-04
Dormitory - 138 Bed	431	206	-	206	06/01/03-04
Stadium Seating	1,168	392	(191)	201	06/01/03
Telecommunications	2,321	-	-	-	
Longwood College					
Housing Repairs	294	277	(27)	250	06/01/03-10
Residence Halls Renovation	155	70	-	70	06/01/03-04
Physical Education Building	258	-	-	-	
Renovation	370	124	(63)	61	06/01/03
Mary Washington College					
Residence Hall	1,998	1,888	(173)	1,715	06/01/03-10
Student Activity Center	2,170	1,171	(215)	956	06/01/03-06
Willard Hall	722	-	-	-	
Norfolk State University					
Cafeteria Renovation	2,530	2,402	(21)	2,381	06/01/03-11
Health and ROTC Bldg. 89R Refunded Portion	1,219	406	(196)	210	06/01/03
Health and ROTC Building	506	242	(1)	241	06/01/03-04
Residence Hall 90B Refunded Portion	2,668	2,522	(235)	2,287	06/01/03-10
Residence Hall 91A Refunded Portion	5,813	5,520	(49)	5,471	06/01/03-11
Old Dominion University					
Athletic Facility	4,062	3,838	(352)	3,486	06/01/03-10
Athletic Renovation	836	402	(1)	401	06/01/03-04
Athletic Renovation	2,027	679	(333)	346	06/01/03
Life Science Park	685	230	(113)	117	06/01/03
Multi-Level Parking	3,196	3,020	(279)	2,741	06/01/03-10
Life Science Building Parking	282	136	(1)	135	06/01/03-04

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**Tax-Supported Debt - Detail of Long-Term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1993 Refunding Bonds (continued)</b>					
Property at 43rd and Hampton	297	212	(28)	184	06/01/03-08
Powhatan Field	940	-	-	-	
Rogers Hall	764	259	(128)	131	06/01/03
Rogers Hall Renovation	314	151	-	151	06/01/03-04
Webb Center Addition	4,174	3,964	(35)	3,929	06/01/03-11
Radford University					
Norwood Hall Renovation	1,144	616	(110)	506	06/01/03-06
University of Virginia					
Clinch Valley Housing	253	99	(50)	49	06/01/03
Clinch Valley Housing	176	70	(36)	34	06/01/03
Clinch Valley Housing	106	50	-	50	06/01/03-04
Heater/Chiller Replacement	795	752	(68)	684	06/01/03-10
North Grounds Recreation Center	1,504	-	-	-	
Clinch Valley Housing 89R Refunded Portion	264	91	(44)	47	06/01/03
Medical Center	850	-	-	-	
Food Service	392	-	-	-	
Hospital Parking Garage	3,520	1,903	(347)	1,556	06/01/03-06
Student Housing	8,592	8,158	(71)	8,087	06/01/03-11
Virginia Commonwealth University					
Low-Rise Dormitory, Phase II	304	146	-	146	06/01/03-04
Student Commons	1,443	684	(2)	682	06/01/03-04
VCU Low Rise Dormitory	213	-	-	-	
Student Commons	3,447	1,143	(559)	584	06/01/03
Low Rise Dormitory	719	239	(118)	121	06/01/03
Virginia Polytechnic Institute and State University					
Student Activities Center	10,885	7,735	(955)	6,780	06/01/03-08
Parking Renovations	2,569	2,439	(21)	2,418	06/01/03-11
Special Purpose Housing	4,763	-	-	-	
Squires Student Center	1,988	1,887	(17)	1,870	06/01/03-11
Dormitory and Dining Renovation	3,050	2,896	(25)	2,871	06/01/03-11
Squires Center Renovation	942	890	(84)	806	06/01/03-10
<b>Subtotal Series 1993 Refunding Bonds</b>	<b>123,779</b>	<b>83,875</b>	<b>(7,685)</b>	<b>76,190</b>	
<b>Series 1994 Bonds</b>					
Christopher Newport University					
Dormitory/Dining	2,435	320	(55)	265	06/01/03-06
College of William and Mary					
Dormitory Renovation	230	50	(10)	40	06/01/03-06
Dormitory Phase II	3,165	685	(120)	565	06/01/03-06
George Mason University					
Telecommunications	3,770	1,775	(405)	1,370	06/01/03-05
James Madison University					
Primary Electric	890	330	(105)	225	06/01/03-04
Tidewater Community College					
VCCS-TCC Parking Project	1,685	635	(200)	435	06/01/03-04
<b>Subtotal Series 1994 Bonds</b>	<b>12,175</b>	<b>3,795</b>	<b>(895)</b>	<b>2,900</b>	
<b>Series 1995 Bonds</b>					
College of William and Mary					
Underground Utility	1,535	1,275	(60)	1,215	06/01/03-16
George Mason University					
Prince William Site and Parking	2,115	1,175	(215)	960	06/01/03-06
University of Virginia					
Newcomb Hall Expansion	10,855	9,000	(425)	8,575	06/01/03-16
Student Residence Facility	4,890	4,060	(190)	3,870	06/01/03-16



Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1995 Bonds (continued)</b>					
Virginia State University					
Dorm Renovation	2,685	1,855	(170)	1,685	06/01/03-10
Foster Hall	2,305	1,595	(145)	1,450	06/01/03-10
Langston Hall	2,575	1,780	(165)	1,615	06/01/03-10
<b>Subtotal Series 1995 Bonds</b>	<b>26,960</b>	<b>20,740</b>	<b>(1,370)</b>	<b>19,370</b>	
<b>Series 1996 Bonds</b>					
College of William and Mary					
Dormitory Repairs	1,650	1,380	(60)	1,320	06/01/03-16
Longwood College					
Dining Hall	5,485	4,735	(215)	4,520	06/01/03-16
Virginia Commonwealth University					
Visitors Deck	3,350	2,810	(125)	2,685	06/01/03-16
Virginia State University					
Jones Dining Hall	2,525	2,095	(95)	2,000	06/01/03-16
<b>Subtotal Series 1996 Bonds</b>	<b>13,010</b>	<b>11,020</b>	<b>(495)</b>	<b>10,525</b>	
<b>Series 1996 Refunding Bonds</b>					
Christopher Newport University					
Dormitory and Dining 1994	1,892	1,835	(10)	1,825	06/01/03-21
College of William and Mary					
Dormitory 1994	118	113	-	113	06/01/03-14
Dormitory Phase II 1994	1,751	1,692	(10)	1,682	06/01/03-15
Graduate Housing 1991A	395	378	(4)	374	06/01/03
Telecommunication 1990B	69	-		-	
George Mason University					
Residence Hall IV 1990B	1,117	-		-	
James Madison University					
Gibbons Hall Renovation 1990B	270	-		-	
Longwood College					
Housing Repairs 1990B	42	-		-	
Mary Washington College					
Residence Hall 1990B	302	-		-	
Norfolk State University					
Cafeteria Renovation 1991A	230	219	(2)	217	06/01/03
Residence Hall 1990B	402	-		-	
Residence Hall 1991A	523	500	(5)	495	06/01/03
Old Dominion University					
Athletic Facility, Phase I 1990B	614	-		-	
Multilevel Parking 1990B	482	-		-	
Webb Center Addition 1991A	374	357	(3)	354	06/01/03
University of Virginia					
Heater/ Chiller Replacement 1990B	122	-		-	
Student Housing 1991A	774	739	(6)	733	06/01/03
Virginia Polytechnic Institute and State University					
Dormitory and Dining Renovation 1991A	272	260	(2)	258	06/01/03
Parking Renovation 1991A	230	219	(2)	217	06/01/03
Squire Center Renovation 1990B	143	-		-	
Squire Student Center 1991A	176	168	(1)	167	06/01/03
<b>Subtotal Series 1996 Refunding Bonds</b>	<b>10,298</b>	<b>6,480</b>	<b>(45)</b>	<b>6,435</b>	

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**Tax-Supported Debt - Detail of Long-Term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1997 Bonds</b>					
College of William and Mary					
Dormitory Renovation Phase II	760	660	(30)	630	06/01/03-17
Dormitory Repairs	3,390	2,950	(125)	2,825	06/01/03-17
Utility System	2,000	1,740	(75)	1,665	06/01/03-17
James Madison University					
Dining Hall Renovation	1,330	1,160	(50)	1,110	06/01/03-17
Residence Hall	11,625	10,110	(425)	9,685	06/01/03-17
Student Services	6,200	5,395	(230)	5,165	06/01/03-17
Virginia Commonwealth University					
Academic Parking Deck	12,280	11,015	(465)	10,550	06/01/03-17
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	1,550	1,350	(55)	1,295	06/01/03-17
Residence Hall	15,895	14,255	(600)	13,655	06/01/03-17
<b>Subtotal Series 1997 Bonds</b>	<b>55,030</b>	<b>48,635</b>	<b>(2,055)</b>	<b>46,580</b>	
<b>Series 1998 Refunding Bonds</b>					
Christopher Newport University					
Dormitory and Dining 1992C	3,260	3,159	(28)	3,131	06/01/03-15
Dormitory and Dining 1994	170	164	(1)	163	06/01/03-08
College of William and Mary					
Dormitory Phase II 1994	362	349	(3)	346	06/01/03-08
Dormitory 1992D	701	684	(4)	680	06/01/03-13
Dormitory 1994	33	32	(1)	31	06/01/03-08
University Center 1992C	6,617	6,439	(46)	6,393	06/01/03-13
George Mason University					
Student Union II 1992A	1,572	1,533	(7)	1,526	06/01/03-12
James Madison University					
Student Activities 1992C	4,599	4,475	(32)	4,443	06/01/03-13
Longwood College					
Student Housing 1992A	2,949	2,878	(17)	2,861	06/01/03-12
Mary Washington College					
Residence Hall 1992C	2,094	2,037	(14)	2,023	06/01/03-13
University of Virginia					
Central Ground Parking 1992D	6,146	5,997	(36)	5,961	06/01/03-13
CVC Dormitory 1992C	409	398	(3)	395	06/01/03-12
HSC Parking 1992D	843	822	(5)	817	06/01/03-13
West Scott Stadium 1992D	614	599	(4)	595	06/01/03-13
VCCS/Northern Virginia Community College					
NVCC Parking Deck 1992A	1,869	1,824	(11)	1,813	06/01/03-12
Virginia Commonwealth University					
Dormitory Renovations 1992D	1,636	1,596	(9)	1,587	06/01/03-13
Housing Repairs 1992C	755	733	(5)	728	06/01/03-12
MCV Parking 1992C	5,198	5,057	(37)	5,020	06/01/03-13
Virginia Polytechnic Institute and State University					
Dormitory Repairs 1992C	1,440	1,405	(8)	1,397	06/01/03-13
Dormitory 1992D	1,380	1,347	(8)	1,339	06/01/03-13
Residence Hall 1992C	3,158	3,072	(21)	3,051	06/01/03-13
<b>Subtotal Series 1998 Refunding Bonds</b>	<b>45,805</b>	<b>44,600</b>	<b>(300)</b>	<b>44,300</b>	

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Higher Educational Institution Bonds (Component Units) (continued)</b>					
<b>Series 1998 Bonds</b>					
College of William and Mary Dormitory Renovation	6,390	5,700	(225)	5,475	06/01/03-18
George Mason University Arl-Metro Parking	1,915	1,410	(175)	1,235	06/01/03-08
James Madison University Dining Facilities Renovation	1,080	965	(40)	925	06/01/03-18
Virginia Polytechnic Institute and State University Dining Hall	3,255	2,905	(115)	2,790	06/01/03-18
Virginia State University Jones Dining Hall	1,045	930	(35)	895	06/01/03-18
<b>Subtotal Series 1998 Bonds</b>	<b>13,685</b>	<b>11,910</b>	<b>(590)</b>	<b>11,320</b>	
<b>Series 1999 Bonds</b>					
Christopher Newport College Residence Hall II	12,980	12,550	(450)	12,100	06/01/03-19
Longwood College Dining Hall	3,020	2,785	(100)	2,685	06/01/03-19
Residence Hall Improvements	2,825	2,605	(95)	2,510	06/01/03-19
University of Virginia Residence Hall - Wise	4,665	4,510	(160)	4,350	06/01/03-19
Virginia Polytechnic Institute and State University Dining Hall HVAC	1,800	1,740	(60)	1,680	06/01/03-19
<b>Subtotal Series 1999 Bonds</b>	<b>25,290</b>	<b>24,190</b>	<b>(865)</b>	<b>23,325</b>	
<b>Series 2001 Bonds</b>					
Christopher Newport College CNU New Residence Hall	23,050	-	23,050	23,050	06/01/03-21
College of William and Mary CWM Renovate Dormitories	4,875	-	4,715	4,715	06/01/03-21
George Mason University GMU Housing Building V	21,780	-	21,780	21,780	06/01/03-24
GMU Housing Renovations	3,435	-	3,435	3,435	06/01/03-11
James Madison University JMU Bluestone Dorm Phase III	5,900	-	5,625	5,625	06/01/03-21
Mary Washington College MWC Residence hall Renovation	1,925	-	1,860	1,860	06/01/03-21
University of Virginia UVA Res. Hall-Monroe Lane	4,670	-	4,515	4,515	06/01/03-21
<b>Subtotal Series 2001 Bonds</b>	<b>65,635</b>	<b>-</b>	<b>64,980</b>	<b>64,980</b>	
<b>Subtotal Higher Educational Institution Bonds</b>	<b>698,651</b>	<b>345,154</b>	<b>31,308</b>	<b>376,462</b>	
<b>Transportation Facilities Bonds (Primary Government)</b>					
Series 1989, Dulles Toll Road	34,348	18,989	(1,872)	17,117	06/01/03-09
Series 1993, Dulles Refunding	24,845	23,445	(225)	23,220	06/01/03-07
Series 1994, Coleman Bridge	43,315	5,840	(1,035)	4,805	06/01/03-06
Series 1996, Dulles Toll Road	45,235	37,915	(1,705)	36,210	06/01/03-16
Series 1996, Coleman Bridge Refunding	34,750	33,805	(180)	33,625	06/01/03-21
Series 1996, Dulles Refunding	9,475	3,285	(3,285)	-	
Series 1998, Coleman Bridge Refunding	3,135	3,040	(25)	3,015	06/01/03-08
<b>Subtotal Transportation Facilities Bonds</b>	<b>195,103</b>	<b>126,319</b>	<b>(8,327)</b>	<b>117,992</b>	

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**Tax-Supported Debt - Detail of Long-Term Indebtedness** (Continued from previous page)

For the Fiscal Year Ended June 30, 2002

(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>General Obligation Debt (continued)</b>					
<b>Section 9(c) Debt (continued)</b>					
<b>Parking Facilities Bonds (Primary Government)</b>					
Series 1993 Refunding	6,630	6,295	(55)	6,240	06/01/03-11
Series 1996	3,495	2,930	(130)	2,800	06/01/03-16
Series 1996 Refunding	1,160	1,100	(535)	565	06/01/03-03
<b>Subtotal Parking Facilities</b>					
<b>Bonds</b>	11,285	10,325	(720)	9,605	
<b>Total Section 9(c) Debt</b>	905,039	481,798	22,261	504,059	
<b>Total General Obligation Debt</b>	1,684,754	968,108	(12,349)	955,759	
<b>Non-General Obligation Debt</b>					
<b>Section 9(d) Debt</b>					
<b>Virginia Public Building Authority Bonds (Primary Government)</b>					
Series 1991 A	70,065	3,065	(3,065)	-	
Series 1992 A Refunding	112,870	35,860	(11,295)	24,565	08/01/02-03
Series 1992 B	94,335	80,782	(13,225)	67,557	08/01/02-10
Accreted Principal	-	29,749	4,488	34,237	08/01/02-10
Series 1992 C	173,865	23,715	(7,520)	16,195	08/01/02-03
Series 1993 A	60,995	44,635	(2,805)	41,830	08/01/02-13
Series 1994 A	79,220	16,130	(2,875)	13,255	08/01/02-05
Series 1995	187,410	156,665	(8,695)	147,970	08/01/02-16
Series 1996 A	97,430	88,660	(655)	88,005	08/01/02-15
Series 1997 A	152,885	138,605	(5,190)	133,415	08/01/02-17
Series 1998 A Refunding	147,000	140,695	(2,105)	138,590	08/01/02-13
Series 1998 B	40,425	38,090	(1,380)	36,710	08/01/02-18
Series 1999 A	68,920	66,740	(2,270)	64,470	08/01/02-19
Series 1999 B	27,730	26,420	(1,360)	25,060	08/01/02-14
Series 2000 A	104,990	104,990	(2,060)	102,930	08/01/02-20
Series 2001 A	35,830	-	35,830	35,830	08/01/02-22
Deferral on Debt Defeasance	-	-	(12,478)	(12,478)	
<b>Total Virginia Public Building Authority</b>					
<b>Bonds</b>	1,453,970	994,801	(36,660)	958,141	
<b>Virginia College Building Authority Bonds (Component Unit)</b>					
<b>Equipment Leasing Program</b>					
Series 1996	22,150	5,510	(5,510)	-	
Series 1997	38,905	8,285	(8,285)	-	
Series 1998	38,875	17,915	(8,750)	9,165	02/01/02-03
<b>21st Century College Program</b>					
Series 1996	53,160	47,170	(1,985)	45,185	08/01/01-16
Series 1998	54,785	50,995	(2,020)	48,975	08/01/01-17
Series 1999	59,495	42,530	(8,765)	33,765	02/01/02-19
Series 2000	60,900	51,630	(9,075)	42,555	02/01/02-20
Series 2001	65,795	65,795	(12,180)	53,615	02/01/02-21
Series 2002	130,795	-	130,795	130,795	02/01/03-22
<b>Total Virginia College Building Authority</b>					
<b>Bonds</b>	524,860	289,830	74,225	364,055	
<b>Transportation Debt (Primary Government)</b>					
Route 28 Refunding Bonds	111,680	89,785	(3,150)	86,635	10/01/02-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	541,515	82,395	623,910	11/15/02-26
Northern Virginia Transportation District Program	324,410	256,135	48,640	304,775	11/15/02-26
Oak Grove Connector (Chesapeake)	33,075	29,400	(820)	28,580	11/15/02-23
<b>Total Section 9(d) Transportation Debt</b>	1,075,785	916,835	127,065	1,043,900	
<b>Virginia Port Authority Debt (Component Unit)</b>					
Series 1996	38,300	34,455	(1,395)	33,060	
Refunding Series 1998	71,015	68,200	(7,200)	61,000	
<b>Total Virginia Port Authority Debt</b>	109,315	102,655	(8,595)	94,060	

Series	Amount Issued	Outstanding June 30, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Maturity
<b>Non-General Obligation Debt (continued)</b>					
<b>Section 9(d) Debt (continued)</b>					
<b>Innovative Technology Authority Debt (Component Unit)</b>					
Series 1989	13,300	-	-	-	
Series 1997	13,300	11,120	(530)	10,590	
<b>Total Innovative Technology Authority Debt</b>	<b>26,600</b>	<b>11,120</b>	<b>(530)</b>	<b>10,590</b>	
<b>Virginia Biotechnology Research Park Authority (Component Unit)</b>					
Series 1996	91,010	28,235	59,010	87,245	09/01/03-19
<b>Virginia Public Broadcasting Board Board Notes Payable</b>					
	23,840	23,840	(1,880)	21,960	08/01/03-11
<b>Industrial Development Authority Obligations</b>					
	42,490	42,490	(4,690)	37,800	03/01/03-11
<b>Total Section 9(d) Debt</b>	<b>3,347,870</b>	<b>2,409,806</b>	<b>207,945</b>	<b>2,617,751</b>	
<b>Non-General Obligation Debt and Other Obligations</b>					
<b>Other Long-Term Debt (2)</b>					
Capital Leases	-	242,820	5,255	248,075	
Installment Purchase Obligations	-	67,499	(11,970)	55,529	
Transportation Notes Payable	-	12,325	-	12,325	
Regional Jail Construction Liability	-	31,017	(2,043)	28,974	
<b>Total Other Long-Term Debt</b>	<b>-</b>	<b>353,661</b>	<b>(8,758)</b>	<b>344,903</b>	
<b>Other Long-Term Obligations</b>					
Compensated Absences	-	484,330	5,245	489,575	
Pension Liability	-	284,081	155,291	439,372	
Other	-	20,104	180	20,284	
<b>Total Other Long-Term Obligations</b>	<b>-</b>	<b>788,515</b>	<b>160,716</b>	<b>949,231</b>	
<b>Total Non-General Obligation Debt and Other Obligations</b>	<b>3,347,870</b>	<b>3,551,982</b>	<b>359,903</b>	<b>3,911,885</b>	
<b>Total Tax-Supported Debt and Other Obligations</b>	<b>\$ 5,032,624</b>	<b>\$ 4,520,090</b>	<b>\$ 347,554</b>	<b>\$ 4,867,644</b>	

(1) As restated per GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Activities includes Internal Service Funds.



## STATISTICAL SECTION

The financial presentations included in this section provide comparisons of economic and social characteristics and financial trends over a ten-year period. The statistical data presented are intended to give users of the financial statements, as well as the investment community, a better historical perspective and assessment of the current financial status and trends of the Commonwealth.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

**Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis**  
**General Governmental Revenues by Source and Expenditures by Function (1)**

For Fiscal Year Ended June 30  
(Dollars in Millions)

	2002	2001	2000	1999
<b>Tax Revenues:</b>				
Individual and Fiduciary Income	\$ 6,758	\$ 7,226	\$ 6,829	\$ 6,088
Sales and Use	2,646	2,661	2,574	2,410
Motor Fuels	859	821	794	778
Corporation Income	236	364	566	420
Public Service Corporations	82	98	104	112
Motor Vehicle Sales and Use	527	497	492	436
Gross Premiums of Insurance Companies	293	268	251	245
Alcoholic Beverage Sales Tax	76	73	70	64
Deeds, Contracts, Wills, and Suits	214	168	146	158
Beer and Beverage Excise	42	41	41	40
Estate	138	127	150	154
Tobacco Products	15	15	15	16
Bank Stock	10	5	12	13
Wine and Spirits / ABC Liter	10	10	7	7
Other Taxes	91	63	58	52
Total Tax Revenues	11,996	12,437	12,109	10,993
<b>Other Revenues:</b>				
Federal and Other Grants, Donations, and Federal				
Revenue Sharing	4,916	3,778	3,459	3,264
Institutional Revenue	444	466	439	376
Sales of Property and Commodities	28	122	91	91
Rights and Privileges	623	601	577	541
Interest, Dividends, and Rents	264	218	169	166
Fines, Forfeitures, Costs, Penalties and Escheats	330	171	162	163
Assessments - Special Services	99	114	52	48
Other Revenues	1,101	941	875	589
Total Other Revenues	7,806	6,411	5,824	5,238
Total Revenues	\$ 19,802	\$ 18,848	\$ 17,933	\$ 16,231
Percentage Increase				
Over Previous Year	5.1%	5.1%	10.5%	9.5%
<b>Expenditures by Function:</b>				
Education	\$ 6,187	\$ 4,659	\$ 4,353	\$ 4,125
Administration of Justice	2,157	2,072	1,898	1,730
Individual and Family Services	6,864	5,985	5,609	5,105
Resources and Economic Development	721	707	614	574
Transportation	3,269	2,846	2,585	2,634
General Government (2)	1,805	1,508	1,175	791
Enterprises	-	107	94	92
Capital Outlay	255	326	354	363
Total Expenditures	\$ 21,257	\$ 18,210	\$ 16,682	\$ 15,414
Percentage Increase				
Over Previous Year	16.7%	9.2%	8.2%	10.8%

Includes all Governmental Funds

(1) Fiscal years 2001-1993 represent basis of budgeting amounts.

(2) General Government expenditure amount for fiscal year 2002 includes debt service principal retirement and interest charges.

Source: Department of Accounts



1998	1997	1996	1995	1994	1993
\$ 5,405	\$ 4,736	\$ 4,301	\$ 4,028	\$ 3,812	\$ 3,585
2,240	2,134	2,010	1,935	1,795	1,680
759	722	715	679	686	650
451	432	402	376	312	371
102	126	116	109	119	98
394	384	370	354	321	267
237	219	218	208	196	180
61	59	59	57	57	59
127	4	95	85	115	100
39	38	39	38	39	38
122	92	69	78	83	48
16	16	16	16	15	15
8	9	8	7	6	5
7	7	7	6	6	5
44	142	16	41	41	33
10,012	9,120	8,441	8,017	7,603	7,134
3,035	2,821	2,705	2,664	2,374	2,194
331	309	346	331	312	306
71	103	7	9	8	8
516	499	475	486	463	452
136	149	116	104	75	66
148	135	122	121	116	109
37	34	34	33	33	30
536	671	505	394	383	366
4,810	4,721	4,310	4,142	3,764	3,531
\$ 14,822	\$ 13,841	\$ 12,751	\$ 12,159	\$ 11,367	\$ 10,665
7.1%	8.5%	4.9%	7.0%	6.6%	5.3%
\$ 3,614	\$ 3,432	\$ 3,145	\$ 3,056	\$ 2,852	\$ 2,800
1,537	1,377	1,318	1,241	1,135	1,062
4,800	4,541	4,413	4,319	3,970	3,747
502	447	445	461	396	367
2,377	2,272	2,124	2,070	1,736	1,587
525	498	459	463	408	352
81	76	69	71	43	35
477	378	267	289	223	125
\$ 13,913	\$ 13,021	\$ 12,240	\$ 11,970	\$ 10,763	\$ 10,075
6.9%	6.4%	2.3%	11.2%	6.8%	4.9%

## Computation of Legal Debt Limit and Margin

For Revenues Collected through June 30, 2002

(Dollars in Thousands)

	Fiscal Year Ended June 30,		
	2002	2001	2000
<b>Tax Revenues Required for Computation</b>			
Taxes on Income and Retail Sales:			
Individual and Fiduciary Income Tax and Estate Tax [1]	\$ 6,710,857	\$ 7,226,407	\$ 6,829,587
Corporate Income Tax [2]	290,215	363,757	565,909
State Sales and Use Tax [3]	2,429,845	2,272,954	2,201,533
Total	<u>\$ 9,430,917</u>	<u>\$ 9,863,118</u>	<u>\$ 9,597,029</u>
<b>Average Tax Revenues for the Three Fiscal Years</b>			<u>\$ 9,630,355</u>
<b>Section 9(a)(2) General Obligation Debt Limit [4]</b>			
Debt Limit (30% of 1.15 times annual tax revenues for fiscal year 2002)			\$ 3,253,666
Less Bonds Outstanding:			-
Debt Margin for Section 9(a)(2) General Obligation Bonds			<u>\$ 3,253,666</u>
<b>Section 9(b) General Obligation Debt Limit</b>			
Debt Limit (1.15 times average tax revenues for three fiscal years as calculated above)			\$ 11,074,908
Less Bonds Outstanding:**			
Public Facilities Bonds		\$ 399,005	
Transportation Facilities Refunding Bonds [5]		52,695	
Bond Anticipation Notes		-	451,700
Debt Margin for Section 9(b) General Obligation Bonds			<u>\$ 10,623,208</u>
Additional Section 9(b) Debt Borrowing Restriction:			
Four-year Authorization Restriction (25% of 9(b) Debt Limit)			\$ 2,768,727
Less 9(b) Debt authorized in past three fiscal years			1,019,529
Maximum Additional Borrowing Restriction (amount that could be authorized by the General Assembly)			<u>\$ 1,749,198</u>
<b>Section 9(c) General Obligation Debt Limit</b>			
Debt Limit (1.15 times average tax revenues for three fiscal years as calculated above)			\$ 11,074,908
Less Bonds Outstanding:**			
Parking Facilities Bonds		\$ 9,605	
Transportation Facilities Bonds [6]		117,992	
Higher Educational Institution Bonds [6]		376,462	
Bond Anticipation Notes		-	504,059
Debt Margin for Section 9(c) General Obligation Bonds			<u>\$ 10,570,849</u>

\*\*Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

(1) Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*.

(2) Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia*.

(3) Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia*, less taxes identified in Sections 58.1-605 and 58.1-638.

(4) Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia*.

(5) Net of unamortized discount.

(6) These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

Sources: Department of Accounts; Department of Treasury

**Ratio of General Obligation Bonded Debt Per Capita**

Last Ten Fiscal Years

(Amounts in Thousands Except Per Capita)

<b>For the Fiscal Year Ended June 30,</b>	<b>Population (1)</b>	<b>General Obligation Debt (2)</b>	<b>General Long-Term Debt Per Capita</b>
2002	7,051	\$ 955,759	\$ 136
2001	6,995	968,108	138
2000	6,929	1,046,191	151
1999	6,858	1,108,929	162
1998	6,784	1,139,927	167
1997	6,739	1,140,862	169
1996	6,663	1,054,305	158
1995	6,596	963,304	146
1994	6,522	791,842	121
1993	6,421	816,883	127

(1) Population figure for 2002 is estimated.

(2) Includes 9(a), 9(b) and 9(c) debt, net of unamortized discounts and bond anticipation notes payable.

Sources: Department of Taxation  
Department of Accounts**Percentage of Annual Debt Service Expenditures for Governmental Debt to Total Expenditures****All Governmental Fund Types**

Last Ten Fiscal Years

(Dollars in Thousands)

<b>For the Fiscal Year Ended June 30,</b>	<b>Debt Service (1)</b>	<b>Total Expenditures (2)</b>	<b>Percentage</b>
2002	\$ 321,998	\$ 21,257,353	1.51 %
2001	310,617	18,190,526	1.71
2000	308,174	16,722,019	1.84
1999	323,634	15,431,118	2.10
1998	287,971	14,167,795	2.03
1997	271,140	13,636,962	1.99
1996	206,885	12,103,923	1.71
1995	150,513	11,873,282	1.27
1994	146,972	10,809,573	1.36
1993	107,078	10,422,319	1.03

(1) Includes principal and interest payments related to general bonded debt reflected in the governmental activities column of the Government-wide Statement of Net Assets. The principal outstanding at June 30, 2002 was \$3.0 billion.

(2) Includes General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds.

Source: Department of Accounts

**Schedule of Revenue Bond Coverage (1)**  
**Higher Education Section 9(d) Long-Term Debt**  
**(Discrete Component Units)**

Last Ten Fiscal Years

(Dollars in Thousands Except Coverage)

	For the Fiscal				Net			
	Year Ended	Beginning	Gross	Operating	Available	Debt Service	Debt Service	
	June 30,	Balance (2) (3)	Revenues (2) (3)	Expenses (2) (3)	for	Requirements	Coverage	
<b>Virginia Commonwealth University (4)</b>	2002	\$ 629,752	\$ 1,208,818	\$ 1,185,449	\$ 653,121	\$ 14,511	45.01	
	2001	28,813	396,946	384,575	41,184	4,875	8.45	
	2000	32,353	375,912	371,263	37,002	4,878	7.59	
	1999	29,381	372,266	358,473	43,174	4,209	10.26	
	1998	30,849	336,835	334,318	33,366	3,563	9.36	
	1997	180,008	728,116	699,581	208,543	957	217.91	
	1996	156,136	673,639	637,376	192,399	6,079	31.65	
	1995	150,564	644,391	631,785	163,170	8,831	18.48	
	1994	156,818	633,457	632,316	157,959	10,069	15.69	
	1993	122,158	629,163	576,710	174,611	10,069	17.34	
<b>University of Virginia</b>	2002	\$ 3,140,687	\$ 1,482,805	\$ 1,443,255	\$ 3,180,237	\$ 19,529	162.85	
	2001	155,695	1,081,910	1,012,292	225,313	18,963	11.88	
	2000	128,167	981,040	903,124	206,083	18,829	10.94	
	1999	134,601	921,043	861,269	194,375	14,061	13.82	
	1998	133,683	904,027	832,901	204,809	14,051	14.58	
	1997	153,000	830,731	771,806	211,925	14,057	15.08	
	1996	147,556	783,722	728,665	202,613	13,834	14.65	
	1995	124,076	742,152	666,479	199,749	13,559	14.73	
	1994	101,930	712,071	648,479	165,522	13,197	12.54	
	1993	83,494	684,552	613,380	154,666	11,806	13.10	
<b>Virginia Polytechnic Institute and State University</b>	2002	\$ 419,356	\$ 702,052	\$ 698,469	\$ 422,939	\$ 7,403	57.13	
	2001	12,347	544,800	522,738	34,409	7,402	4.65	
	2000	9,919	518,426	494,931	33,414	7,412	4.51	
	1999	11,892	488,100	471,574	28,418	7,413	3.83	
	1998	12,280	453,227	437,879	27,628	5,709	4.84	
	1997	18,118	421,073	407,384	31,807	2,110	15.07	
	1996	756	396,893	367,269	30,380	1,531	19.84	
	1995	7,668	388,410	382,017	14,061	1,554	9.05	
	1994	13,321	377,546	373,109	17,758	3,034	5.85	
	1993	14,334	355,781	344,370	25,745	2,935	8.77	
<b>Norfolk State University</b>	2002	\$ 39,967	\$ 101,447	\$ 103,325	\$ 38,089	\$ 901	42.27	
	2001	(1,499)	81,088	72,923	6,666	904	7.37	
	2000	1,315	75,692	71,823	5,184	901	5.75	
	1999	(7,801)	71,392	61,250	2,341	902	2.60	
	1998	(5,289)	63,094	60,596	(2,791)	902	(3.09)	
	1997	(1,370)	61,787	62,841	(2,424)	552	(4.39)	
	1996	349	59,097	58,750	696	174	4.00	
	1995	2,773	55,870	54,751	3,892	174	22.37	
	1994	5,630	56,098	55,109	6,619	174	38.04	
	1993	5,548	79,202	73,776	10,974	174	63.07	

	For the Fiscal		Beginning	Gross	Operating	Net			
	Year Ended		Balance (2) (3)	Revenues (2) (3)	Expenses (2) (3)	Available	Debt Service	Debt Service	Coverage
	June 30,					for	Requirements		
						Debt Service			
<b>James Madison University</b>	2002	\$	194,211	\$ 225,618	\$ 210,660	\$ 209,169	\$	1,709	122.39
	2001		453	202,842	186,384	16,911		1,707	9.91
	2000		(810)	186,516	171,158	14,548		1,706	8.53
	1999		130	185,181	171,850	13,461		1,708	7.88
	1998		(2,971)	163,018	149,244	10,803		1,712	6.31
	1997		1,868	149,340	142,846	8,362		1,714	4.88
	1996		1,114	132,593	121,341	12,366		1,712	7.22
	1995		2,216	125,028	115,890	11,354		1,712	6.63
	1994		5,144	115,625	107,242	13,527		247	54.77
	1993		4,178	109,708	103,116	10,770		248	43.43
<b>Virginia College Building Authority</b>	2002	\$	(215,223)	\$ 30,441	\$ 78,173	\$ (262,955)	\$	20,726	(12.69)
	2001		2,016	13,580	383	15,213		13,849	1.10
	2000		1,399	11,334	363	12,370		4,662	2.65
	1999		937	9,597	537	9,997		8,764	1.14
	1998		141	8,017	7,174	984		4,637	0.21
	1997		138	3,622	3,619	141		2,408	0.06
	1996		264	2,401	125	2,540		2,226	1.14
	1995		797	2,239	406	2,630		2,365	1.11
	1994		411	2,591	212	2,790		2,378	1.17
	1993		(1,808)	4,979	3	3,168		2,749	1.15

(1) Coverage relates to Higher Education 9(d) Revenue Bonds. The outstanding principal of this debt at June 30, 2002, was \$785,179,900 and the outstanding interest was \$345,960,094.

(2) These amounts are reported from individual institution's financial statements.

(3) Beginning in 2002, total net assets, gross revenues, and gross expenses (less interest) are used.

(4) Beginning in 2002, Virginia Commonwealth University's amounts include the Virginia Commonwealth University Health System Authority.

Sources: Department of the Treasury; Department of Accounts.

**Schedule of Revenue Bond Coverage**  
**Selected Discrete Component Units**

Last Ten Fiscal Years

(Dollars in Thousands Except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance	Gross Revenues	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (1)	Coverage
<b>Virginia Housing Development Authority</b>	2002	\$ 1,226,927	\$ 629,261	\$ 175,567	\$ 1,680,621	\$ 667,320	2.52
	2001	116,233	643,381	182,940	576,674	574,488	1.00
	2000	1,018,800	609,934	181,045	1,447,689	1,136,786	1.27
	1999	935,251	579,194	169,286	1,345,159	927,030	1.45
	1998	839,564	565,345	161,631	1,243,278	800,168	1.55
	1997	745,233	514,345	158,700	1,100,878	350,348	3.14
	1996	667,221	493,305	155,575	1,004,951	318,092	3.16
	1995	600,086	335,697	33,664	902,119	272,342	3.31
	1994	543,590	311,782	28,186	827,186	846,695	0.98
	1993	488,321	325,475	24,316	789,480	710,527	1.11
<b>Virginia Education Loan Authority (3)</b>	2002	\$ -	\$ -	\$ -	\$ -	N/A	N/A
	2001	-	-	-	-	N/A	N/A
	2000	-	-	-	-	N/A	N/A
	1999	-	-	-	-	N/A	N/A
	1998	-	-	-	-	N/A	N/A
	1997	-	769	-	769	N/A	N/A
	1996	70,259	16,922	6,576	80,605	80,532	1.00
	1995	75,433	39,721	19,477	95,677	66,739	1.43
	1994	77,924	35,724	14,270	99,378	54,426	1.83
	1993	80,333	34,631	11,467	103,497	97,269	1.06
<b>Virginia Resources Authority</b>	2002	\$ 736,410	\$ 129,314	\$ 19,959	\$ 845,765	\$ 48,737	17.35
	2001	114,700	56,521	16,322	154,899	29,786	5.20
	2000	124,894	142,224	103,441	163,677	41,055	3.99
	1999	94,809	110,816	72,926	132,699	45,259	2.93
	1998	72,478	117,222	78,950	110,750	34,885	3.17
	1997	58,481	85,837	51,443	92,875	33,915	2.74
	1996	46,209	97,125	63,584	79,750	37,189	2.14
	1995	37,290	31,658	1,196	67,752	33,716	2.01
	1994	30,915	29,929	1,545	59,299	26,813	2.21
	1993	23,161	27,730	1,401	49,490	22,457	2.20

(1) These amounts includes principal, interest, and amortization expenses for all entities.

(2) These amounts exclude interest expense.

(3) The Virginia Education Loan Authority defeased all debt during fiscal year 1996.

Sources: Department of the Treasury; Department of Accounts.

**Schedule of Revenue Bond Coverage**  
**Other Section 9(d) Long-Term Debt**

Last Ten Fiscal Years

(Dollars in Thousands Except Coverage)

	For the Fiscal Year Ended June 30,	Beginning Balance	Gross Revenues (1)	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3)	Coverage
<b>Primary Government:</b>							
<b>Virginia Public Building Authority</b>	2002	\$ 113,494	\$ 2,323	\$ 107,733	\$ 8,084	\$ 111,814	0.07
(Series 1988A, 1989A, 1991A, 1992A-C,	2001	146,024	8,064	40,278	113,810	107,385	1.06
1993A, 1994A, 1995, 1996A, 1997A,	2000	64,065	3,584	53,116	14,533	97,797	0.15
1998A Refunding, 1998B, and 1999A)	1999	78,795	3,896	83,375	(684)	93,069	(0.01)
	1998	150,464	7,460	136,914	21,010	83,301	0.25
	1997	182,702	79,218	192,723	69,197	121,101	0.57
	1996	108,552	73,678	124,522	57,708	59,431	0.97
	1995	106,103	60,138	82,972	83,269	53,785	1.55
	1994	134,523	142,779	85,900	191,402	50,788	3.77
	1993	60,640	148,840	106,753	102,727	36,061	2.85
<b>Transportation Facilities</b>	2002	\$ 533,296	\$ 30,073	\$ 281,788	\$ 281,581	\$ 102,631	2.74
Route 28, Route 58, Northern Virginia	2001	287,063	50,125	201,181	136,007	86,121	1.58
Transportation District, and Oak Grove	2000	156,876	27,412	133,635	50,653	77,169	0.66
Connector (Chesapeake)	1999	283,203	25,066	156,691	151,578	60,470	2.51
	1998	345,299	28,042	129,493	243,848	57,916	4.21
	1997	236,711	21,169	104,183	153,697	56,186	2.74
	1996	177,162	147,547	110,651	214,058	45,146	4.74
	1995	163,484	15,913	33,904	145,493	31,068	4.68
	1994	187,357	36,735	30,362	193,730	31,070	6.24
	1993	108,176	26,399	35,947	98,628	24,074	4.10
<b>Pocahontas Parkway Association (4)</b>	2001	\$ (28,271)	\$ 5,280	\$ 25,023	\$ (48,014)	\$ 9,129	(5.26)
(Series 1998A-D)	2001	(13,052)	9,399	24,618	(28,271)	9,152	(3.09)
	2000	(3,259)	13,320	17,385	(7,324)	9,287	(0.79)
	1999	-	18,013	15,544	2,469	5,728	0.43
<b>Component Units:</b>							
<b>Innovative Technology Authority</b>	2002	\$ 19,168	\$ 15,148	\$ 14,031	\$ 20,285	\$ 1,347	15.06
(Series 1989 and 1997)	2001	6,024	2,793	-	8,817	1,388	6.35
	2000	4,691	2,721	-	7,412	1,424	5.21
	1999	3,388	2,732	-	6,120	1,364	4.49
	1998	2,224	2,528	-	4,752	1,391	3.42
	1997	1,808	1,807	-	3,615	1,544	2.34
	1996	1,596	1,756	-	3,352	1,464	2.29
	1995	1,304	1,756	-	3,060	1,484	2.06
	1994	1,031	1,757	-	2,788	1,504	1.85
	1993	750	1,785	-	2,535	1,478	1.72
<b>Virginia Port Authority (5)</b>	2002	\$ 250,220	\$ 51,566	\$ 38,650	\$ 263,136	\$ 20,830	12.63
(Series 1992A, 1993, 1996, 1997,	2001	52,692	6,407	49,380	9,719	21,971	0.44
1997 Refunding, and 1998 Refunding)	2000	67,154	25,160	49,086	43,228	17,570	2.46
	1999	93,565	28,677	66,680	55,562	15,648	3.55
	1998	130,870	19,434	59,387	90,917	21,279	4.27
	1996	42,666	6,633	35,198	14,101	16,192	0.87
	1995	41,615	6,162	28,236	19,541	17,858	1.09
	1994	45,589	6,217	32,454	19,352	18,277	1.06
	1993	83,140	36,911	24,765	95,286	43,699	2.18

(1) Gross Revenues include loan principal collections.

(2) Operating Expenses are exclusive of principal and interest.

(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.

(4) Ten years of data not available. This is a new entity established in 1999.

(5) Beginning in 1994, reflects governmental component unit data only.

Sources: Department of the Treasury; Department of Accounts

**Schedule of Bank Deposits (1)**

Last Ten Years  
(Dollars in Millions)

<u>As of June 30, (2)</u>	<u>Bank Deposits</u>
2001	\$ 83,142
2000	76,059
1999	72,055
1998	71,317
1997	68,568
1996	65,061
1995	61,204
1994	57,549
1993	56,034
1992	55,272

(1) Includes only amounts deposited in insured commercial banks by corporations, governments, and individuals.

(2) Deposit information is not available for 2002.

Source: Federal Deposit Insurance Corporation Web Site, [www.fdic.gov](http://www.fdic.gov).

**Application of Unclaimed Property Funds (1)**

<u>Year Ending June 30,</u>	<u>Total Available Funds (2)</u>	<u>Payment of Claims</u>	<u>Operating Expenses</u>	<u>Transfers to Literary Fund</u>
2002	\$ 52,232,257	\$ 14,079,478	\$ 3,152,779	\$ 35,000,000
2001	55,165,372	11,697,747	3,167,625	40,300,000
2000	43,416,355	14,070,772	3,345,583	26,000,000
1999	48,186,240	14,563,124	2,923,116	30,700,000
1998	38,533,882	8,202,961	3,330,921	27,000,000
1997	55,166,195	8,205,998	3,760,197	43,200,000
1996	33,985,781	5,551,113	2,934,668	25,500,000
1995	32,673,816	5,378,659	2,295,157	25,000,000
1994	24,270,294	3,740,568	2,529,726	18,000,000
1993	27,613,422	6,369,882	1,743,540	19,500,000
1992	27,327,523	8,487,808	1,839,715	17,000,000
1962-1991	141,337,116	21,474,969	11,539,924	108,322,223
	<u>\$ 579,908,253</u>	<u>\$ 121,823,079</u>	<u>\$ 42,562,951</u>	<u>\$ 415,522,223</u>

(1) Under Unclaimed Property law, the Commonwealth receives abandoned securities and tangible personal property. These are not introduced into the accounting system until converted to cash. As of June 30, 2002, securities with a market value of approximately \$46 million and 1,446 inventoried lots of unappraised tangible property were in the Treasurer's custody. The Treasurer is custodian of these items until claimed by the rightful owners or heirs, except that the Treasurer can and does periodically convert these items into cash.

(2) Total available funds represent the amount of funds available for payment of claims, operating expenses, and transfers to Literary Fund.

Source: Department of the Treasury



### Application of Escheat Receipts

Last Ten Fiscal Years  
(Dollars in Thousands)

Year Ending June 30,	Total Receipts	Expenses (1)	Transfers to Literary Fund
2002	\$ 1,595	\$ 4,022	\$ (2,427)
2001	-	21,862	(21,862)
2000	192,490	146,156	46,334
1999	126,589	149,071	(22,482)
1998	502,972	460,267	42,705
1997	1,227,184	499,171	728,013
1996	781,712	868,652	(86,940)
1995	1,238,000	676,000	562,000
1994	967,000	537,000	430,000
1993	1,222,000	961,000	261,000
<b>Total</b>	<b>\$ 6,259,542</b>	<b>\$ 4,323,201</b>	<b>\$ 1,936,341</b>

(1) Expenses include delinquent taxes paid to localities, refunds to original owners, heirs, or purchasers, and other expenses directly related to the escheat process.

Source: Department of the Treasury

### Schedule of Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (In Thousands) (1)	Per Capita Income (2)	Public Primary and Secondary School Enrollment	Unemployment Rate
2002	7,051	\$ 33,000	1,143,018	4.1 %
2001	6,995	32,600	1,130,446	2.4
2000	6,929	30,400	1,121,780	2.7
1999	6,858	28,000	1,110,843	2.8
1998	6,784	26,700	1,110,815	3.4
1997	6,739	25,400	1,092,090	4.4
1996	6,663	24,400	1,076,653	4.4
1995	6,596	23,062	1,067,669	4.6
1994	6,522	22,021	1,047,222	5.1
1993	6,421	21,624	996,241	5.3

(1) Population figure for 2002 is estimated.

(2) Per capita income has been revised and is reflected in current dollars.

Sources: Virginia Department of Education  
Virginia Department of Taxation  
Virginia Employment Commission  
Center for Public Service, University of Virginia

## Comparison of General Fund Balance

Last Ten Fiscal Years  
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance	
	Budgetary Basis	Modified Accrual Basis
2002	\$ 632.9	(216.7)
2001	1,194.1	553.8
2000	1,855.3	1,374.6
1999	1,599.6	1,173.7
1998	1,444.2	1,011.4
1997	937.2	491.8
1996	476.3	180.4
1995	350.7	(86.4)
1994	518.7	185.3
1993	331.8	78.8

Source: Department of Accounts

## Schedule of Miscellaneous Statistics

June 30, 2002

Adoption of Virginia Constitution	1776
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	40,767
Miles of State Highways	67,228
State Police Protection:	
Number of Stations	64
Number of State Police	1,761
Higher Education (Universities, Colleges, and Community Colleges):	
Number of Separate Institutions	87
Number of Educators	15,361
Number of Students	375,355
Recreation:	
Number of State Parks, Natural Areas, and Historic Sites	70
Area of State Parks, Natural Areas, and Historic Sites (acres)	87,825
Number of State Forests	15
Area of State Forests (acres)	45,653
Classified State Employees	82,062

Sources: Department of Forestry  
Department of Human Resource Management  
Department of State Police  
Department of Transportation  
Library of Virginia  
State Council of Higher Education  
Virginia Department of Conservation and Recreation, Division of Parks and Recreation

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